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Leading Articles

Stability? Yes; Growth? 771
Beyond Ten Million Tonnes 773
Towards Easier Money 774
Engineering Industry: Still in Recession? 776

Jubilee Session of FICCI

Industry Wants Growth and Employment —G.D. Birla 777
Action Needed to Bring About a Proper Investment Climate —M.V. Arunachalam 778
Only Solution to Shortages is More Production —B.M. Birla 782
Take Steps to Lower Prices —Morarji Desai 786
Truth Ultimately Triumphs —George Fernandes 788
Government and Business to Collaborate 788
FICCI Awards, 1976 789
Office-bearers of FICCI 792

Special Feature

Tyres: From Shortage to Surfeit I—xvi

Moving Finger 793
Capital's Corridors 794

Point of View

Satyameva Jayate—But What Next? —N.A. Palkhivala 796
Fertilizer Pricing : Needed a Second Look —R.C. Ummat 797

Window on the World

US Energy Policy Meets Its Moment of Truth 800
ILO Drafts Guidelines on Multinationals —Courtesy : ILO 802

Trade Winds

H.M. Patel for World Bank Meet; AIEI Meet; Exports During 1976-77; Study on Money Supply; Alloy Steel Imports; Ceiling on Bill Discounts; India-Malaysia Double Taxation Agreement; Income Tax Returns Simplified; Panel to Study Samachar; Machinery for Distribution; Cement Prices; GIIC; IDPL Exports; Shellac Export; Names in the News. 804-807

Company Affairs

Coromandel Fertilisers; Escorts; ICICI; Guest Keen Williams; Gujarat Alkalies and Chemicals Ltd; News and Notes; New Issues; Dividend 808-810

Records and Statistics

Wholesale Prices; Consumer Price Index Numbers for Industrial Workers and Urban Non-manual Employees 811

Stability? Yes; Growth?

THE NEW government has been in office for about five weeks. Its exertions so far have been largely political. A few key "economic" decisions, however, have also been taken. They revolve around the prime minister's personal involvement in restoring balance to national finances. Mr Desai has discounted deficit financing as one of the options open to the government for finding money for development. This does not automatically postulate a balanced budget for May. But it is clear enough what specific assignment has been given to the Finance minister. Mr H.M. Patel is to probe and prune public expenditure. The process, it may be assumed, is in full swing.

Stability, in other words, has been set as the preferred goal. Where does this leave growth? If the government has an answer, the public is yet to be told. The prime minister has had a few opportunities already to do some loud thinking. Last week, he spoke to the Federation of Indian Chambers of Commerce and Industry at its golden jubilee session and also addressed the annual meeting of the Association of Indian Engineering Industry. Earlier this week, he inaugurated a seminar on planning and implementation systems, organized jointly by the Department of Personnel and Administrative Reforms and the Planning Commission in collaboration with the Indian Institute of Public Administration. While talking to his business audiences, Mr Desai asserted that the fiscal discipline projected for the government should be supplemented by monetary and credit discipline in the economy at large. He refused to buy either the thesis of the AIEI president, Mr F.A.A. Jasdanwalla, that the highest priority should be given to investment even if this meant "limited" inflation, or the argument of the FICCI president, Mr M.V. Arunachalam, that there was no direct or proportionate relation between money supply and the price level. The prime minister laid down as a firm policy objective of his administration economy in both public expenditure and corporate spending and pointed out that the latter would also be relevant to the part which he expected industry to play in bringing down prices.

Predictably, Mr Desai's exhortation to the business community to cut prices was long on ethics and short on economics. If his intention was to confuse issues, he certainly succeeded admirably. The subsequent discussions during the FICCI "business" sessions ("business" within quotes) read like the proceedings of a congregation at the Paunar ashram. There was much breast-beating even if its purpose was only to save face. However, both government and business will have other opportunities, less publicized, to thrash out the hard grains of a meaningful programme for linking price stability with growth in investment, production and consumption. Business spokesmen, however, should discard the habit of protesting every time the Reserve Bank attempts to relate credit control to trends in money supply. Some degree of credit planning is absolutely necessary, whether for containing inflation or ensuring adequate bank money for production. Consequently, the central banking authority on the one hand and the business community on the other are under an obligation to try to discover common ground rather than attempt to invent debating points. Mr Desai's central thesis that both government and business should cut the coat according to the cloth has an undeniable relevance to conditions of expanding money supply and rising prices.

Where the prime minister was deficient in a sense of urgency was in his failing to give a positive turn to discussions on the production issue. There is no better way and certainly no surer means of restraining prices than producing more. This argues at once for immediate initiatives in two major areas of management. The power cuts in several states are the gravest threat to price stability. We need to know without delay how government proposes to cope with the situation. So far there has been little recognizable remedial activity. Steps must be taken here and now to improve operations at thermal power stations or systems and, in the southern region, some evidence must soon be forthcoming of more rational destribution of hydel power supplies.

Equally important is the need to prevent labour unrest assuming major

proportions. In his speech inauguarting the golden jubilee auditorium of the FICCI last Friday, Mr G.D. Birla referred to the good offices of Janata politicians in helping to settle industrial disputes. This kind of benign intervention cannot always be relied upon. More organised machinery is needed in a more impersonal form and the question should be seriously considered whether provision should not be made for the automatic reference to compulsory arbitration of disputes which cannot be or are not resolved on the factory floor or through labour-management dialogues. One thing the Janata just cannot afford these days is missed production through lost man-days.

stimulating demand

Improvement in power supply and industrial peace will go a long way in containing prices by helping to increase production, but not all the way. The under-utilization of capacity in many industries has been the result of stagnation in demand or even decline. General reflation of purchasing power is ruled out by the price situation and the government's concern over public expenditure and the growth of money supply. It follows that demand will have to be stimulated selectively in other ways. The case for reductions in import duties, central excises and rail freight tariff thus becomes a strong one.

Given favourable circumstances, production can be substantially increased in all directions and this should bring about a better balance between supply and demand in the short period. But this in itself cannot make much of an impact on the employment situation and over a medium period, there will also be renewed imbalance between national production and the growing needs of the people. Mr G.D. Birla brought this out clearly when he pointed out that there had been little new investment over the past seven years. There are thus arrears to be cleared. The prime minister believes that Plan priorities should be recast so that the emphasis is shifted from heavy industry to cottage industry. There must be some way, surely, of reconciling the political declarations of the Janata manifesto with the harsh realities of national survival in a world of modern technology and business management so that the abolition of destitution becomes somewhat more real than a political slogan. Mr B.M. Birla, the chairman of the FICCI golden jubilee committee, took some pains to spell out the implications of any effort to build a prosperous society. Massive employment and a rise in the mass standard of living are not possible unless very high levels of investment and production are reached in basic industries such as steel, cement, coal, power, fertilizers, machine tools and machinery and transport equipment or major consumer goods industries such as food processing, textiles and industries auxiliary to housing construction. There is therefore no escaping the single-minded mobilization of the human and material potential of the country through corresponding investment of capital and technology. Indian poverty can be eliminated only when India learns to produce that proportion of global output which corresponds to its share of the world population.

distinct disservice

It was therefore no accident that the investment climate became a prime theme in all the discussions. It was Mr G.D. Birla's view that institutional investments in existing equities did no service to the growth of the capital market. On the contrary, it did a distinct disservice by boosting equity prices to levels which were unrealistic in terms of the returns available from them relatively to the prevailing interest rate structure. He suggested that the savings of the community or other financial resources mobilised by the LIC and other financial institutions should be directed towards new capital issues so that there is a net addition to the investment in industrial expansion. Mr M.V. Arunachalam, pointing out that today's investment determines tomorrow's production and today's profits tomorrow's jobs, pleaded that industry should be helped to replace capital assets and embark on modernisation. He suggested that the investment allowance should be extended to all industries, with selected priority industries being given this allowance at higher rates. Both he and Mr Jasdanwalla argued for reductions in corporate and personal taxation as essential incentives to investment.

Consensus was also conspicuou business thinking on foreign capita enterprise. Mr Arunachalam asked the abolition of the restrictive provi of the Foreign Exchange Repatriation at least with regard to new foreign in ments. Annotating this recommenda Mr B.M. Birla pointed out that nev the history of the world there was su large pool of investible resources as the rise in the price of oil. Even the munist countries have been unhesitat drawing upon these sources of ca They have reportedly borrowed some billion in the last three years. Mr advocated vigorous efforts at tap these funds for our industrialization.

Our dominant concern today shoul with thinking big and acting big, fo vast problem of Indian poverty wil yield to fractional efforts. Whether t is a total revolution in politics and so or not, there is need for a very far-re ing revolution in our approach to mo technology and management as the m of liberating our people from the b of economic backwardness and s stagnation. A liberal political system fulfil itself only through more oppor ties for the people to work, produce live better, freely taking advantage o fruits of global economic progress. is also a lesson of this country's awa ing from a restrictive past.

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Beyond ten million tonnes

THE STEEL industry crossed an important milestone during the financial year 1976-77 by registering an output of 10 million tonnes of ingots. In terms of saleable steel, the aggregate output amounted to 7.8 million tonnes.

More significantly, the production in the integrated steelworks improved markedly both in terms of ingots and saleable steel with the result that excluding Bokaro, where several units have been commissioned only recently and are still passing through their gestation period, the capacity utilisation in respect of saleable steel reached as high as 91.9 per cent. This percentage would have been even higher, though modestly, had the Rourkela plant not experienced power difficulties for a couple of months early during the year just ended.

target exceeded

Compared to the previous year's output of 5.779 million tonnes, the production of steel at the six integrated steelworks, namely Bhilai, Durgapur, Rourkela, Bokaro, Jamshedpur and Burnpur, in 1976-77 at 6.921 million tonnes showed an improvement of 19.8 per cent. This level of production exceeded the target set for the year (in consultation with the representatives of the worker's unions) by 456,000 tonnes.

Individually, Bhilai and Jamshedpur plants did extremely well by not only exceeding the targets set for them but also their rated capacities. The output of saleable steel at Bhilai amounted to 2.019 million tonnes—110.3 per cent of the target for the year and 102.7 per cent of the rated capacity. The production at Jamshedpur amounted to 1.55 million tonnes —103.3 per cent of the target for the year as well as the rated capacity. Compared to the previous year, the output at these two plants last year was 9.1 and 4.3 per cent more respectively, the previous year's output being 1.85 million tonnes and 1.486 million tonnes.

The Rourkela project also did well by yielding 1.174 million tonnes saleable steel, as against the target of 1.05 million tonnes and the rated capacity of 1.225 million tonnes. The output at this plant in the previous year was 1.041 million tonnes. Last year's output at Rourkela amounted to 111.8 per cent of the target and 95.5 per cent of the rated capacity. The previous year's production was exceeded last year by 12.8 per cent.

The output at the Durgapur and Burnpur works, which have been ailing for quite some time, picked up further last year—at Durgapur by 19.9 per cent—from 0.761 million tonnes in 1975-76 to 0.90 million tonnes, and at Burnpur by 8.2 per cent from 0.50 million tonnes to 0.542 million tonnes. Last year's output at these two plants came to 72.7 and 67.8 per cent of their rated capacities of 1.239 million tonnes, and 0.80 million tonnes respectively. Both these plants however, exceeded the yearly targets set for them—0.825 million tonnes in the case of Durgapur and 0.54 million tonnes in the case of Burnpur. The Bokaro project also improved its production substantially from just about 0.15 million tonnes in 1975-76 to 0.736 million tonnes, exceeding the target for the year by 16,000 tonnes.

accumulation of stocks

The above improved working of the steel industry at a time when building contruction activity was at a low ebb and the revival in the general industrial prodution had not gathered enough momentum could not but lead to accumulation of stocks. Concerted efforts at stepping up exports and making available freely the various categories of steel in the open market have helped in containing the level. The total availability of steel last year is estimated to have been of the order of 9.30 million tonnes, including the pipeline stock and the imports during the year to the order of 0.25 million tonnes. Out of this, exports were effected to the extent of 2.43 million tonnes and domestic sales were pushed up to 5.57 million tonnes. The two figures for the previous year were 0.8 million tonnes and 4.73 million tonnes, respectively. The net addition to stocks with the main producers during the year was about 80,000 tonnes—from 1.57 million tonnes as on April 1, 1976 to 1.65 million tonnes as on March 31,1977. During the second half of the year, the exports as well as domestic sales picked up well. There was, therefore, even some drawing upon the stocks held on September 30, 1976.

production patterns

A significant contribution was made to the containment of stocks by the adjustments effected in the production patterns of the various steelworks to suit the market conditions. Three specific instances of this were the manufacture of larger quantities of rails for export to Mexico and South Korea, going in for a larger output of structurals and thinner sections of other categories of steel to suit the domestic demand and curtailment of the production of bars and rods as the housing construction activity was at a low ebb. The adjustments in production pattern are now being effected periodically after an assessment of the market requirements.

With the above end in view and also to bring down production costs, research and development activity has been given a new thrust in collaboration with the Department of Science and Technology and the Planning Commission. Some of the important projects taken on hand to bring down production costs include beneficiation of iron ore, coal dust injection into blast furnaces at Bhilai and Rourkela, increasing the life of basic refractories for LD convertor lining, etc. Heartening results have been achieved at lowering the coke rate. The development of high strength low alloy steels for heavy construction activities is one of the important projects taken up for adjusting product-pattern to changing requirements on a long-term basis. Another important development in this regard is the recent commissioning of the spiral weld pipe plant at Rourkela and imparting greater sophistication to its product range.

Besides concerted efforts at exports

which, as mentione above, aggregated to 2.43 million tonnes of saleable steel last year bringing in Rs 315 crores worth of foreign exchange, as against 0.8 million tonnes worth Rs 110 crores in the previous years, serious attempts are being made to export the consultancy services of MECON —a subsidiary of the Steel Authority of India (SAIL). Already MECON has a major achievement to its credit in this regard by securing a consultancy contract from the government of Nigeria for the construction in that country of two direct-reduction based integrated steelworks, each of one million tonnes capacity. Negotiations are being carried on with Algeria and Liberia for interesting these two countries in the consultancy services available with MECON. The chairman of SAIL, Mr R.P. Billimoria, is expected to visit Tripoli later this month to have discussions with the Arab Iron and Steel Union for interesting it also in the consultancy operations of MECON.

steel exports

Another important step that has been taken by SAIL to step up exports of saleable steel is the posting of a representative at Kuwait and arranging of stocking of steel products there to facilitate exports to the other Gulf countries. Another subsidiary of SAIL, namely Hiudustan Steelworks Construction Ltd. (HSCL), is also actively exploring the possibilities of undertaking construction contracts abroad.

With a comfortable stock available with the steel industry at present and the tempo of production envisaged to be maintained, the outlook for the current financial year is not considered to be bleak, although the production targets for the various integrated steel plants for the year are yet to be finalised. Further significant improvement in production is expected to be aimed at primarily through the improved working of the Durgapur and Burnpur works and stepping up of the output of Bokaro very substantially. The first 1.7 million tonnes ingot-making stage of this steelworks has now been completed. The cold rolling mill at Bokaro has already undergone trial runs and is envisaged to be formally commissioned in the near future. The fourth coke oven battery here was commissioned last month. The only unit yet to be commissioned for this stage of Bokaro is the third blast furnance. It is expected to be brought on stream in September. The production of secondary producers should also improve significantly this year, specially with the efforts being made to step up housing construction activity. The SAIL authorities are confident that there is no likelihood of shortage of steel developing in the country despite increasing exports.

Any substantial improvement in the production of steel from next year onwards, however, will have to come primarily from the secondary producers, which at present have substantial under-utilisation of capacity, and from Bokaro where work is going on for expansion to 2.5 million tonnes stage. Some increase in production can also be expected at Durgapur and Burnpur. The expansion of the Bhilai and Bokaro plants to four million tonnes each is expected to be completed in 1981-82, with the exception of the setting up of one blast furnace at Bokaro which may be commissioned in 1983-84. If steel shortage is to be avoided without effecting large imports in the late 1980s, it is high time that work on expansion of the industry was taken up in right earnest. The project reports for the Visakhapatnam and Vijayanagram plants, each of which will initially be having a capacity of one million tonnes of ingot steel, are yet to be received. Ev though the new government does n favour an over-emphasis on the buildi of heavy industries, it is only to be hop that the expansion of the steel indust will not be ignored.

The special steels project at Sale which will augment the special ste making capacity significantly, has be cleared even by the Public Investme Board. Although there appears to some excess capacity in this line of man facture as present, as even with t Visvesvaraya Iron and Steel Limit working to only about 67.8 per cent its rated capacity last year because power shortage, no shortages of speci and alloy steels were experienced last ye The demand for these steels can be e pected to multiply fast if we have to st up our engineering exports. The Sal plant, therefore, needs to be pursued vig rously. The alloy steels plant at Durg pur too is coming into its own as in ter of saleable steel, it registered 86.5 per ce capacity utilisation last year with outp going upto 52,000 tonnes from 46,8 tonues in the previous year from installed capacity of 60,000 tonnes. It ne hardly to be mentioned that in view the increasing production of alloy a special steels in the country, large impo ought to be avoided. Already some mo in this direction had been made last yea

Towards easier money

THE COMPLEXION of the money market has suddenly changed with the virtual disappearance of an extremely stringent phase and the prospect of an early return to normal conditions. Towards the close of last year it would not have been expected that pressure on the banking system would subside in a short period and scheduled commercial banks would be in a position to comply with higher cash reserve ratio even with a continuance of the impounding of 10 per cent of incremental deposits from the middle of January this year. What precisely are the factors that have been responsible for the metamorphosis in the situation in money market and the decline in the inter-bank call r to even nine per cent in Bombay in second week of April from the pegged c ing of 12.5 per cent recorded for seve months? There is a clear refutation of contention of the monetary authorities t there had been undue piling up of inv tories and industrial units had to be di plined into a complete observation of norms laid down by the Tandon Co mittee in regard to maintenance of sto of raw materials and finished goods.

In the light of the developments in first five months of the 1976-77 b season, it can be categorically stated t the bulge in non-food credit in the

) months was due to heavier stocks of shed goods and the rise in prices for v material such as cotton and edible s. There were also larger imports of se items. It is disconcerting to note that cks of steel have recorded even a margi- rise of 80,000 tonnes at the end of arch this year as compared to March 76 even with a big rise in exports and ger internal offtake. But for the specta- lar export effort a higher level of output steel and pig iron would not have been arly fully absorbed.

seasonal increase

There has been a seasonal increase in gar stocks, these having risen by over lakh tonnes in a 12 month period as mpared to March 1976 because of higher tput and lower exports. Thus aggregate on-food credit rose by Rs 858.37 crores etween October 31, 1976, and April 1, 977 against Rs 837.54 crores in the cor- sponding period of 1975-76. The small crease in the past five months compara- vely cannot be regarded as anything gnificant if it is borne in mind that higher otton prices and larger sugar stocks alone ould have accounted for an extra outlay f Rs 250 crores.

It is however noteworthy that pressure as felt by lending institutions only in November-December 1976, as non-food redit rose during this period by as much as Rs 674.22 crores against Rs 516.77 crores. n three months ending April 1, 1977 non- ood credit rose by only Rs 184.15 crores gainst Rs 320.77 crores. The deceleration n the growth of non-food credit and irtually no net increase in procurement redit until the last week of March enabled anks to meet their obligation without nuch difficulty and without resorting to eavy borrowing from the central banking nstitution. The net increase in food credit n the five-month period under reference was only Rs 15.76 crores if it assumed that the spurt in food credit during the week ended April 1, 1977 by Rs 103.30 crores was due to budgetary transactions. There could not have been such an increase under this head during that week as net procurement purchases of rice were negli- gible and the marketing of rabi wheat crops had not commenced.

The smaller rise in non-food credit in recent months has given rise to expectations that the earlier phenomenon of accumulation of finished goods of some industries would not remain in evidence with larger offtake of steel, cement, fertilisers and engineering goods. There will of course be fairly large stocks of textiles, imported cotton and fibres and sugar. But with faster growth in deposits the immobilisation of about Rs 500 crores on these accounts may not create any serious problems. In fact, the scheduled commercial banks had no need to borrow on a large scale from the central banking institution as their deposits in five months ending April 1, 1977 rose sizably by Rs 1468.37 crores against Rs 1183.52 crores in the same period in 1975-76 while the expansion of credit was only Rs 1041.23 crores as compared to Rs 1653.28 crores. The member banks thought it advisable to default on their obligations for maintaining a higher cash reserve and liquidity ratios temporarily and not borrow excessively from the Reserve Bank.

steep borrowing

In the corresponding period in the previous season however, borrowing rose steeply by Rs 531.87 crores as food credit jumped by Rs 815.74 crores against only Rs 119.06 crores in the first five months of current season. The inflow of funds into the money market in the latter half of March on account of government disbursements was so heady that it was even possible for member banks to observe the cash reserve ratio requirements with the balances with Reserve Bank slanding at the record level of Rs 1282.58 crores on April 8, 1977. As there was also a big rise in money at call and cash and other balances, it was even possible to reduce borrowing from the Reserve Bank during the week ended April 1, 1977 to Rs 887.60 crores from Rs 959.12 crores.

The peak of the busy season has thus been passed without any difficulty and the season promises to close on a quiet note especially as the late developments relating to buffer stock operations may be responsible for a smaller growth in food credit, in May-July. In view of the heavy buffer stocks and difficulty in finding storage space and in view also of the demand for higher procurement prices for wheat from the government in surplus states, the new formed central government has decided t lift all restrictions on the movement o wheat within the country and only a sma increase in the procurement price by Rs to Rs 110 per quintal has been granted This price is indeed the floor as th government has not fixed any prouremen target and has offered only to buy what ever quantities are made available to ther by farmers at Rs 110 per quintal.

It has been emphasised that the rab crop will be nearly equal to the all-tim record of last year and it would have bee necessary to acquire large quantities if th restrictions on inter-state movement an on entry into statutorily rationed areas ha not been removed. Even now it is no clear whether the Food Corporation o India and other agencies will not be oblig ed to effect net procurement purchases a farmers may turn to them after trader get less busy with a levelling down o prices in the whole country. The develop ments in the next few months should b highly impressive and consumers may ge their requirements fully at reasonabl prices. There may also be need for acquir ing two to three million tonnes of stock by official agencies. The increase in food credit may not thus be more than Rs 350 crores.

food credit

The developments in the last season however were different as food credit increased by Rs 612.28 crores between April 30 and July 31, 1976. Even during the fortnight ended April 30, 1977, food credit rose by Rs 39.96 crores. As deposits increased by Rs 1033.08 crores in May- July last year and non-food credit rose by only Rs 75.47 crores the situation could be easily met. In August-October, however, there was an unexpected rise in non-food credit by Rs 557.26 crores though food credit dropped by Rs 127.37 crores, against an increase in deposit of Rs 834.61 crores.

The developments in the next six months are likely to be of an entirely different character as it is probable that deposits will grow by more than Rs 2,000 crores and procurement credit may not record a rise of more than Rs 300 crores, the needs of other classes of the borrowers can be met

even while reducing borrowing from the Reserve Bank. The central and state governments and public bodies can also make a spectacular success of their borrowing programmes. The forthcoming slack season may, therefore, witness a noticeable easing of pressure on the banking system and the Reserve Bank may be obliged to keep the cash reserve ratio unchanged in order to prevent banks from indulging in a lending spree. It is in this context that the announcement relating to new credit policy for 1977-78 by the Reserve Bank has special significance.

Engineering industry : still in recession?

Mr F.A.A. Jasdanwalla, president of the Association of Indian Engineering Industry (AIEI), said at the third annual meeting of the association's western region on April 4 that the engineering industry continued to suffer from lack of domestic demand. He observed that the flow of orders from government departments had been slow, and payments even slower, due to resources limitations. The production in the engineering industry in 1976 showed an overall improvement as compared to the previous year. But the production of several items such as lifts, jeeps, electric motors, transformers, railway wagons, and diesel engines sharply declined. Mr Jasdanwalla added that capacity utilisation in 1976 did not show much improvement since the production base in 1975 was extremely low due to the recession in the Indian economy. He pointed out that Directorate General of Supply and Disposals, defence, railways, electricty boards and other major deparments had not been placing sufficient orders with the engineering industry. "There is only a marginal improvment in recent weeks", he said, "as yet too slight to bring about a rapid upswing in production or turnover".

The problem relating to the lack of adequate orders has been persisting for the last several years. It was expected that, with the step up in the annual Plan outlay, the engineering industry would be able to look forward to a regular flow of orders from various government departments. The Plan outlay was increased from Rs 4844 crores in 1974-75 to Rs 5975 crores in 1975-76 and Rs 7852 crores in 1976-77. The outlay proposed for 1977-78 is Rs 10,000 crores. The bulk of these outlay has been earmarked for the development of agriculture, power, industry, minerals, transport, and communications. But Mr Jasdanwalla's remarks seem to indicate that the money allotted for these schemes has not been effectively spent. As the engineering industry plays a vital role in the country's economy from the point of view of employment generation, export promotion, and import substitution, the government of India should see to it that its purchase policy is implemented in such a way as to enable the industry to make full use of its capacity.

The state governments also should use their Plan funds to give a strong fillip to the growth of the engineering industry. In the eastern region the industry depends on government orders to a greater extent than in the other regions. The state governments in the eastern region therefore should examine why, despite the substantial increase in the Plan outlay in recent years, the engineering industry continues to complain of large unutilised capacity due to inadequate demand.

The Janata government has declared its intention to restructure the fifth five year Plan in the light of the policies laid down in the election manifesto. It remains to be seen how soon the government will be able to complete this excercise in view of its preoccupation with more urgent problems and the uncertainty arising from the election to the state assemblies. But in whichever way the fifth Plan is restructured, it is bound to give importance to vital fields such as agriculture and allied activities, power, industry, transport and communications. Under the revised fifth Plan, agriculture and related programm have been allotted Rs 2513.40 cro during 1977-79, irrigation and flood co trol Rs 1788.68 crores, power Rs 3780. crores, industry and mining Rs 4995. crores, and transport and communicati Rs 3328.76 crores. The AIEI shou examine from what angles the Plan nee to be revised so that, while it will refle the policies and priorities of the gover ment, it will also help to give an impet to the vigorous growth of the engineeri industry. The AIEI represents the en neering industry both in the private a the public sectors and therefore its vie on the revision of the Plan will be giv careful consideration by the governmer Meanwhile, the government should s to it that its emphasis on austerity a economy does not result in indiscrimina cuts in expenditure.

export targets

Though the domestic demand for eng neering goods has been slow to pick u it is encouraging to find that the foreig demand continues to be buoyant. Th AIEI seems to be confident of meetin the export target envisaged in the fift Plan. According to the Plan, the enginee ing export in the five-year period woul be of the order of Rs 2328 crores. In th first two years of the Plan, these expor totalled Rs 705 crores and the estimate fo 1976-77 is Rs 550 crores. It is expecte that the industry will be able to expo goods worth over Rs 500 crores per an num in the last two years of the Plan Though the industry is optimistic abou its ability to meet the export target, th government should favourably conside its request for certain facilities to improv its competitive capacity. The AIEI ha suggested that more items should be place on the Open General Licence (OGL) an that the import duties on raw material and components should be reduced. Thes measures will help the industry to brin down its cost of production and step u exports. Mr Jasdanwalla has called fo "a radical shift" to OGL. There is, o course, a case for placing more items o the OGL but the government shoul exercise caution in this regard. The fac that the foreign exchange situation remain comfortable should not encourage th demand for indiscriminate liberalisatio of imports.

Industry wants growth and employment

G. D. Birla

Mr G.D. Birla called for a concerted effort by business and industry, the government and the services for a way out of the inflation that threatened to weigh down the Indian economy in the next four years.

He advocated two principal ways for a solution to the economic impasse. The government must demolish the thick forest of rules and regulations and ask the services to be positive and not negative. Second, there must be investment for increased production and the removal of scarcity.

Declaring open a beautiful auditorium on April 22, 1977, on the occasion of the golden jubilee of the Federation of Indian Chambers of Commerce and Industry of which the 82-year old Mr Birla is the only founder-president alive, he ventured to draw a candid but fearsome picture of the state of the economy. He was now speaking, Mr Birla said, because there was no MISA and, even if he had spoken earlier, his own newspaper, *The Hindustan Times*, also would not have published a word of it.

sad state

Mr Birla said it disappointed him to note that there had been no progress in the past seven years. The annual real income rose only by a little more than three per cent and industrial output was up by only four per cent and agricultural production by two per cent. The employment in the organised sector seven years ago was 6.7 millions and, today it was a poor 6.8 millions. There had been no growth in the last seven years as there had been no substantial investment.

Mr Birla said investments made now would show results only four years later. He, therefore, felt that in the coming four years there were no prospects of growth or of much rise in production and there would be continued inflation.

Mr Birla said that the Janata party had not perhaps realised the magnitude of the task ahead in the implementation of its election promises made to the people. "How are you going to implement the promises unless there is growth in the economy?", he asked.

Giving a picture of the serious deterioration of the economy in recent times, Mr Birla referred to the chronic disease of power cut of which there was about 50 per cent in Tamil Nadu, Karnataka and Uttar Pradesh. In West Bengal "power stoppage, like death, comes without warning".

Explaining the relevance of the recent parliamentary elections to the nation's economic development, Mr Birla said doubts had been set at rest as to whether Indians could preserve democracy. One important thing to remember was that the Janata leaders got barely two months to organise themselves and campaign for the election. And yet, within this short time, there was a tremendous upsurge in the country and they drew large crowds. About 60 to 70 per cent of the 32 crore voters had voted peacefully. For all this, credit should not only go to the leaders, but to the people themselves for demonstrating that India was a mature country.

He said Americans had once expressed doubts to him as to whether Indians deserved democracy. He said these doubts had now been totally demolished. The Indian people rose like one man. They took the right decision and changed the government within a period of a few days. "This was a great thing. We should all be proud of it. The world now realises that India is a mature country, a democratic country which is capable of taking mature decisions." This was a relevant matter for the economy as well, and might help in creating a proper climate for foreign investment in the country.

Mr Birla counselled fellow industrialists not to worry unduly about the labour discontent that was currently in evidence. One should realise that having remained suppressed the workers were now giving vent to their pent-up feelings. The discontent was a passing phase and would disappear.

Speaking about some of the plants in north India under his own management, Mr Birla said the Janata party MLAs and MPs had been helpful in handling the situation. This, he noted, had not happened in the south.

Mr Birla assured the government that industry did not want inflation but wanted growth and employment. However, he noted that the LIC and other financial institutions were to some extent promoting inflation. They were borrowing from the market at two to five per cent interest and banks were charging 15 to 16 per cent interest.

Mr G. D. Birla made these observations while opening the FICCI Golden Jubilee Auditorium on April 22, 1977.

objectionable practice

There was a time, he recalled, when these institutions used to underwrite shares of new companies, but now they were simply purchasing partnerships. Mr Birla said this was most objectionable and suggested that the government should ask these institutions to divert funds to areas where these would not promote inflation.

To attract foreign investment, however, the atmosphere needed to be improved. "In the past we were sermonising, sometimes charging them with CIA activities and sometimes we talked of the Vedanta which they do not understand. They are friendly. We should tell them what they understand. But do not tell them about our hoary past; do not be arrogant." he counselled.

Mr Birla said it was possible to trans-

late into action the Janata pledge. But, for this, we would have to act together. The government had made laws and rules through which it was impossible to pass and which seemed to be the sacred duty of the officials to protect. "You have to clear that jungle to go to the temple of prosperity," he added.

He said, by way of an example, that for four years government rules and regulations had held up the proposal for a captive power plant that he wanted to have for the aluminium plant at Hindalco. All this period, the officials in their correspondence, keep asking for guarantees that "we would consume all the power produced there". Mr Birla said amidst laughter from his audience that there was one official jargon which he did not understand: "It is being processed."

As far as fellow industrialists were concerned, he wanted them not to oppose imports and competition. Mr Birla said let there be free competition for the basic question was "are we competent or not?" It would not be fair to ask the government to prevent competition from abroad. Indians must stand on their own legs. Even Bihar Alloy, a Birla concern, had made a noise about imports. But he opposed this.

Mr Birla was greatly hopeful about India's future. He said this country had large resources and there was a well-organised private enterprise. India had a very good home market and "we have everything to make the country strong. I have no doubt that it is going to be the most powerful country in Asia. So, therefore, let us work together and let us stand on our own legs."

The doyen of industrialists recalled earlier that the Federation was born of discontent. Before it came into be there used to be an Associated Cham of Commerce which the Viceroy use inaugurate. Except for one or two, Indi were debarred from it. "Some of us this was odd. We thought Indian busin men should have had representation the body." So in 1926, a committee appointed to draft a constitution and Federation was born. "I am the o Founder-member still alive. We started Federation in a hired building, I tha you for all your achievements. I hope future of the federation would be brighter."

Mr Birla received tremendous appla when he told his audience jokingly ab his advanced age and said "I might called an antique. But people pay a h price for antiques. That is my conso tion."

Action needed to bring about a proper investment climate

M. V. Arunachalam

WE ARE deeply indebted to the prime minister, Shri Morarjibhai, for accepting our invitation and gracing this historic session. The federation has had close association with Shri Morarjibhai in his different capacities in his long and eventful political career. We welcome him today as the prime minister of our truly democratic nation which registered its judgement in favour of his party at the last general elections. That there has been a smooth and peaceful transition of power from the Congress party, which had been at the helm for nearly 30 years, to the Janata party is a measure of the maturity of our political system. Sir, we look to a new era of constructive cooperation and rapid development. We unreservedly place the services of the federation at your disposal.

As I mentioned, this is the golden jubilee session of the federation. Five decades constitute a long enough span in the life of even an institution to assess its role not in terms of survival value but by reference to its usefulness and record of service. We were constituted way back in 1927 when the freedom movement was just beginning to gather momentum. Indeed, the federation's history before independence is one of struggle and emancipation from economic domination by an alien and imperial power. Our forbears had successfully fought battles in close collaboration with the national leaders of their time. Happily, the wisdom and leadership of a few of the founding fathers as well as the political stalwarts are still available to us. They fearlessly urged upon the authorities of the day to place the interest of the Indian nation and people in the forefront and follow policies which would stimulate development of our economy. In diverse areas like international trade and commerce, protection to domestic industries, currency reform and a host of other economic issues, the federation strove promote national economic progr Mahatma Gandhi, addressing the fou annual session of the federation, s "with your material and intellectual operation heartily rendered our dem for Swaraj would would be absolut irresistible." And it was.

With the attainment of freedom perspective altered, both in substance well as dimension. The national ef which was pre-dominantly aimed at end foreign domination changed to build the country's economy so as to liberate people from hunger, ignorance and dise This was a task which had to be achie in a matter of decades though it t centuries even for the most develo countries. To guide economic devel ment a Planning Commission was set with a view to making an estimate of material, capital and human resour formulate plans, determine priorities appraise progress from time to time. stagnant Indian economy was expected be infused with a new life. A rad transformation was sought in all sph

This is the text of the address by Mr M.V. Arunachalam, President FICCI, at the Golden Jubilee Session of the Federation held on April 23, 1977.

ke agriculture, industry, infrastructure nd foreign trade.

The contrast in the pace of economic progress in the period 25 years before ndependence and 25 years since is vivid. The growth of national income in the 25 ears before independence was only 18 per ent; in the 25 years after independence he increase was 141 per cent. Per capita ncome which had declined by nine per ent in the first period rose by 41 per cent n the second. Take again, industrial and gricultural development. Agricultural roduction increased by only 0.7 per cent ut after independence it rose by 113 per ent. In industrial production the increases n the two periods were 126 per cent and 375 per cent respectively. Exports which ose by 39 per cent in the quarter century before 1947 rose by 758 per cent in the 25 years since.

overlapping controls

These achievements are noteworthy, but we could have certainly improved on our performance if the policies and procedures were lberal enough to permit all productive sections of the community to function without undue let or hindrance. There have been far too many overlapping controls with the result that the potential of the nation, human and material, has not been fully tapped. Year after year, our federation—as its records will clearly show —brought to the attention of the government that economic policies need to be more developmental with regard to means, timing and mechanism. It was continuously urged that policies and procedures which induced rigidity and artificiality in the economic system inflicted immeasurable costs on society and distorted the patterns of production so as to force them out of alignment with consumer preferences. In all humility let me say that had our recommendations been accepted, if decision making had been decentralised, development would have been spontaneous and as such vigorous, balanced and broad-based. In short, the Indian economy would have been far stronger than what it is today.

When I paid a courtesy call on you, Sir, soon after you assumed your office the very first question you put to me was when businessmen would shed fear and how corruption could be eliminated. I did not then elaborate my views and I take this opportunity to place before you some of my thoughts. I will be less than honest if I do not concede that most people, not only in business but other walks of life as well, can ever achieve the kind of moral discipline that you have evolved for yourself and expect of others. At the same time, I believe that government policies have a decisive influence on the conduct of the citizens. Corruption is a by-product of too many controls which transfer even normal business decisions to government. What is more, such controls have an inherent tendency to perpetuate and multiply. What happened in the recent past was a logical culmination of the phenomenon of excessive governmental power initially over business activity and subsequently over all facets of our national life.

I have had the privilege, Sir, of meeting some of your colleagues in the cabinet also and it encouraged me to find that they are acutely appreciative of the trust and the faith placed by the electorate in them and are anxious to live up to the general expectations. But let me say that these expectations are high, and you and your government have many difficult tasks to perform. First and foremost, you must see that the government and the governed think together, the politics does not overpower economics, but encompasses it so that both move in harmony.

note of caution

It is here I wish to take advantage of your kind offer that we should speak out our thoughts with courage and without hesitation. I must frankly sound a note of caution that, however humanely alluring populist theories might be, a total view must be taken which means consideration of whether they have succeeded anywhere and as to whether harder options would not yield the desired results quicker and at lesser cost. It is imperative to have a balance between ends and means, to bring about an equilibrium between what is due to Ceaser and what needs to be done by the people themselves to satisfy material needs.

May I submit that businessmen in our country represent a reservior of entrepreneurial experience and talent, which is even internationally recognised. Our patriotism is no less than others. We look forward to your government to trust businessmen and to give due recognition and encouragement to business activity. At the same time, I call upon my colleagues in the business world to increasingly conduct their affairs in a manner deserving of such trust and encouragement.

eradicating destitution

Yet their are urgent problems that have so far defied solutions. A large section of our population, even after the 25 years of planned development, continues to live in abject poverty. I am happy that your party manifesto, Mr Prime Minister, has focussed on this problem which also forms the theme of our golden jubilee session. In the theme paper entitled 'Towards a Prosperous Society' we have outlined a strategy which, we feel, can, in the next ten years, provide adequate employment and a minimum standard of living to the millions who are living in destitution.

While development is an integral process it can be imparted the type of bias which is necessary to resolve simultaneously the problem of unemployment, as also production of the type of goods which the newly employed would consume. It is from this view that we have placed considerable emphasis in this paper on the development of agriculture, particularly through provision of irrigation facilities. In the next 10 years, even with a four per cent growth rate—though we should be able to achieve at least six per cent—it should be possible to remove abject poverty by creating more jobs first, in construction and on farms. This development will create a snowball effect and be required to be supported by development of industry and infrastructure. Thus, the economy while predominantly producing mass consumption goods through generation of additional employment would also call for production of other complementary goods and services.

We are aware that this type of development will call for intense and close co-operation between different development agencies, We, in business, are very keenly aware of our own responsibilities and our stake in balanced national progress. It is precisely for this reason that we propose to discuss the larger issues which ultimately

should form the core of our own business philosophy.

It is in this larger perspective that I would like to look at the present state of the economy. There was an unprecedented increase in agricultural production in 1975-76. A part of this may be due to the good monsoons; but there is no denying that, over the years, the new agricultural techniques that have been adopted have started to yield results. It is necessary to maintain the tempo, and I cannot think of a better method than ensuring the farmer a reasonable return on his investment. In this connection, I welcome the recent wheat policy which removes restrictions on interstate movement of wheat. This is a pointer to the other constructive measures that government could adopt with advantage to stimulate production all round—in agriculture and industry—and bring about a better distribution by eliminating hurdles in the way.

recessionary trends

On the industrial front, recessionary conditions still afflict a segment including our premier textile industry and others like jute and mini-steel. Some industries, particularly engineering, are doing better, thanks to free availability of steel and the export thrust. On the whole, industrial production may be higher in 1976 by about 10 per cent or so. In spite of this, almost the whole range of industrial enterprises have been subject to a profit squeeze. Costs of inputs like coal, electricity, industrial raw materials, etc, railway freights and interest rates have increased sharply resulting in a pressure on margins as there has been no corresponding increase in the prices of final output. Many of these inputs are supplied by public sector enterprises.

Industry in the private sector does not have adequate finances to undertake fresh investment. It is not able to float share issues successfully and is compelled to take assistance from term lending institutions. The higher rate of interest in relation to the low rate of dividend has impoverished the flow of funds to the industrial sector. The perverse effects have further augmented because the prices of machinery have increased several fold. All these have reduced the rate of return, on the one hand, and forced enterprises to procure larger, though inaccessible, capital, on the other. This, I feel, is the main reason why investment has been sluggish and new company formation has been almost absent. I need hardly say that today's investment determines tomorrow's production, and today's profits tomorrow's jobs. Unless there is a reasonable return to stimulate investment we may very soon come up against shortages and a rigorous slow down in the rate of development. Before I proceed to make specific submissions on this matter, I would like to deal with a few other related issues.

We, in business, were happy that inflation had been contained for some time. But we are equally concerned over the 12 per cent rise in prices which has taken place since April last year. This price rise has been occasioned mainly by only two commodities, viz, cotton and oilseeds. Much of the price rise could have been avoided if government had in the first instance not exported cotton and oilseeds and subsequently had undertaken compensatory imports at the right time and in the right quantities.

There is, however, an implicit belief in the minds of the monetary authorities that the rise in prices has been related to the increase in money supply. While I do not deny that over a period of time excess money is inflationary, I would suggest that the relationship is not direct or proportional. In the 18 months since October 1974 prices dropped by 14 per cent when money supply increased by 16 per cent. If the relationship between money supply and price rise had been as direct as it is assumed, we should have expected rampant inflation. This was not the case.

realistic outlook

We cannot go by conventional economic thinking. Changing situations call for new approaches and a realistic outlook which take things as they are rather than what they were. The increase in money supply was almost entirely due to the accumulation of larger buffer stock financed by government from bank borrowings and the significant rise in foreign exchange reserves. The expansion of credit to industry and trade, particularly in the private corporate sector, has been small. As a result, severe stringency of funds h arisen and the difficulties have been acce tuated by the high rates of interest. Bo government and business must joint evolve monetary engineering skills to utilise money as to irrigate the econon without starving or flooding it.

Partly due to the shortfall in domest demand we have been able to undertal larger exports. Last year exports were u by nearly 13 per cent and imports dow by eight per cent. We are now able balance the trade position in spite of th huge outgo on oil account. This situatio may not continue once domestic dema picks up or industrial production reach full capacity output. While we hav during the last two decades, built up fairly broad and diversified industrial ba which can be described as the first pha of our industrial revolution, we have embark upon a second phase which wi necessarily call for a bold increase investment in all spheres of activity.

investment climate

I would submit, for your considerati Sir, that early action is taken to brin about a proper investment climate enable expansion of existing undertakin and the establishment of new ones an thereby provide greater employment. To wards this end, I have the followin suggestions to offer. These are at be illustrative of the measures to be unde taken. May I also add that our federatio will only be too glad to discuss any these or other matters with your gover ment.

—Firstly, adequate credit must be mad available to both industry and trade takin into account the input cost, as also th level of production. As I said earlier, w should not allow the old quantity theor of money to influence monetary policy. adequate credit is to be extended, the supplementary action requires to be take by way of: (a) readjusting cash reserves be maintained by scheduled commerci banks and lowering the minimum liquidi ratio; (b) effecting sales of foodgrains fro buffer stocks also in which considerab funds have been locked up.

—Secondly, the rate of interest on ban credit should be brought down by at lea three percentage points from the curre

ceiling of 16.5 pet cent. The present rate is imposing a high burden on cost of production and distribution.

—Thirdly, the excise duties on mass consumption goods, which are excessive, should be reduced. This will stimulate both demand and production, directly as well as indirectly. Consequently the exchequer also will not be a loser, but, if anything, a gainer.

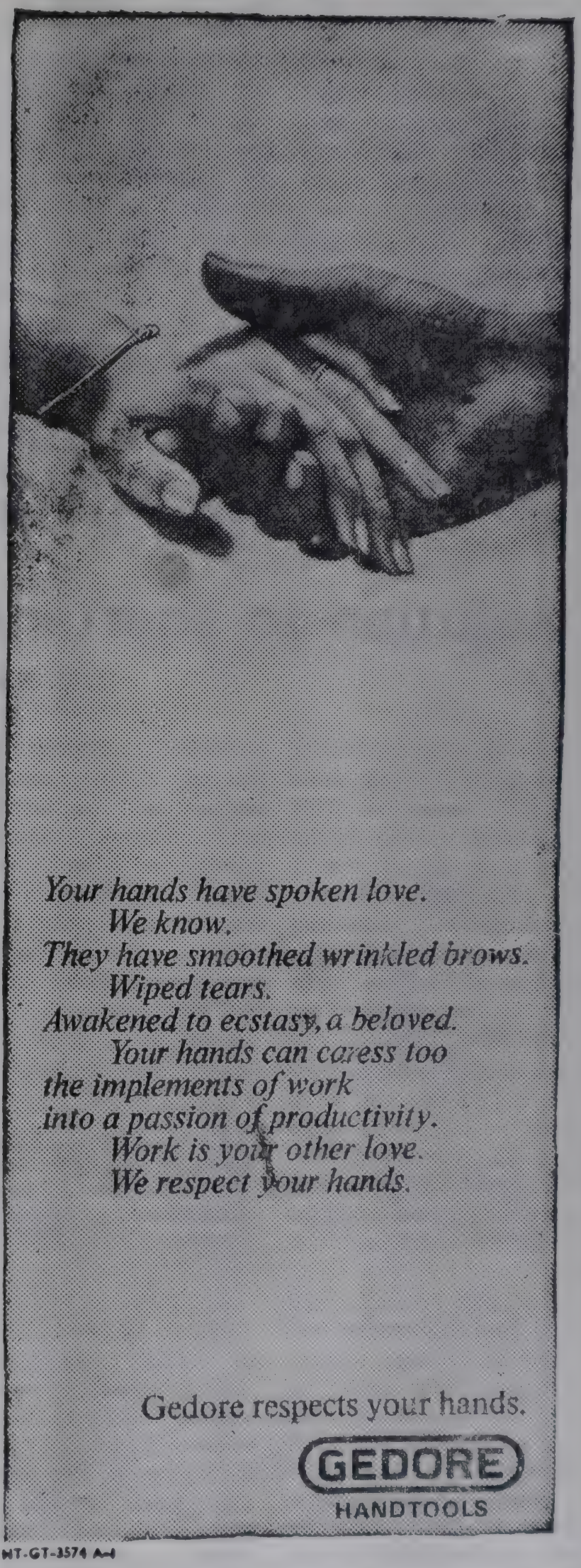
—Fourthly, industry must be helped to replace capital assets and to embark on modernisation. It will only be possible by (a) extending investment allowance to all industries, (b) giving higher rate of such allowance to selected priority industries, and (c) asking financial institutions to extend loans on liberal terms.

—Fifthly, the capital cost requires to be brought down through a rationalisation of import duties, excise, sales tax and other levies. One of the reasons for our economy becoming a high-cost one can be traced to these imposts which are on the high side.

—Sixthly, for industry to go ahead with investment programmes and attract subscription to share issues there is need for (a) reducing the rate of corporate tax, (b) abolishing the surtax which is a tax on efficiency, (c) exempting inter-corporate dividends from tax in all cases, (d) exempting capital gains tax on reinvestment, and (e) exempting income from tax if it is invested in shares, subject to a ceiling.

—Lastly, the FERA requirement that foreign companies operating in India should reduce their holdings and the income-tax provision necessitating disinvestment by charitable trusts of their investment in equities by March 31, 1978, only mean that existing shares change hands and there is no principle of additionality in investment. Inasmuch as new investment is essential and even imperative a second look must be given to these provisions; if necessary, the restrictions may be made applicable to new foreign investments and fresh investments to be made by charities.

Sir, I trust that my suggestions will not be viewed as seeking concessions to sectional interests. I believe that tax adjustment measures of the kind I have indicated will give the requisite fillip to economic activity. Such a fillip will be in the larger national interest. Once the



investment activity is stimulated, the economy will get into its high and natural swing. It is from this base that we can proceed further to resolve the outstanding economic problems. Also, it will provide a platform from which the economy can take off in the right direction which is consistent with national priorities and objectives.

We, in business, must be always conscious of our commitment and capacity to secure the national objectives and priorities. What our federation has done in the last fifty years, I venture to suggest, is as much a contribution to business development as to economic history. This has been vividly brought out in the FICCI documentary film entitled "India's Industry Comes of Age" as also in our illustrated brochure "Five Decades of Progress" and the book "Enterprise and Economic Change" by Shri H. Venkatasubbiah who has been in research and journalism since early forties. The regional conferences that we held in Bombay, Calcutta and Bangalore evoked great enthusiasm among the business community and keen interest in public. We have had also the honour of receiving many foreign business delegations during the year. The International Chamber of Commerce deemed it appropriate to hold a seminar in New Delhi in December 1976 to discuss international economic relationships in the future. It is a matter of pride that chambers of commerce in different countries have responded to our invitation and have deputed representatives to be present at to-day's function.

The committee of the federation working out the content of a socio-eco mic programme to mark the golden jub year. The idea is to set up a FICCI ce which will stimulate the managemen enterprises to engage themselves in r development so that local skills may upgraded or better utilisation of l resources achieved. The centre will a inter alia give support to scientific resea work in industry.

It is my earnest prayer that the next f years of federation's career will be crow with greater successes which in ef would mean a stronger economy an decent standard of living to all citiz through remunerative employment, gre production and higher consumption.

Only solution to shortages is more productio

B. M. Birla

I CONSIDER it a great privilege to have the opportunity to welcome you all to this important session of the Federation. This privilege was conferred upon me by the Federation when they decided that I should chair the Golden Jubilee Celebrations Committee. I am thankful to them and also wish to say how much I have valued this assignment which is coming to a close, happily in the presence of our prime minister, Shri Morarji Desai.

You, Sir, know all of us in the business community well and on our part, we always admired your unflinching adherence to high principles. In your long and selfless public career, you have stood out as one who would never compromise and fall in line with the far too common attitude of "getting along".

The founders of our Federation were wise and practical men, who wanted both big and small things to be done well and done for the betterment of the nation and the people. This is why we had chosen the theme, "Towards a Prosperous Society". In your admirable broadcast to the nation on the 4th of this month you expressed the desire that through productive effort, the country should be made prosperous and economically strong. This precisely has been our objective all along. I have no doubt that only with more employment, more investment and consumption, destitution can be removed. I venture to suggest that this day, which is a historic one in the life of the Indian business community, businessmen should take a pledge that they will do everything possible to maximise employment, expand production and establish new ventures.

In my view, all the existing industries should rapidly increase their production manifold. If production is not allowed to increase freely, it is going to create shortages and cause inflation. Therefore, nothing should be done to obstruct increase in production if we want this country to progress. No control can create more goods and the only solutsion to shortages is more productionr Sir, we look to you and your government to give the businessmen the maximum opportunity to serve as effective agents of econo growth.

I make bold to say that businessme India can play a significant role in rem ing poverty by producing more goods a services. During the British regime a post-independence period, we in busin were denied the opportunity to put fo our best. Nevertheless, we have tried h and are proud to say that within the ma constraints that we had to funtion, never lagged behind in building up economy.

Over the part 50 years we have m considerable progress and produced m types of goods of high technology. economic landscape has changed, but in a way commensurate with our resour or requirements. We still have m millions of people who are underemplo or unemployed. In recent years the sit tion has only worsened. Many restricti have been imposed on productive eff more often than not, our attempts bring about greater employment and ger production of goods by factories h been discouraged rather than rewar and we were penalised if we expanded plants or utilised full capacity. In

This is the text of the speech delivered by Mr B. M. Birla, Chairman, FICCI Golden Jubilee Celebrations Committee, at the Golden Jubilee Session of the FICCI held on April 23, 1977.

cess, we have slowed down the pro-
s of the country and its modernisation.
ndia is by no means a small country.
per cent of the world's population live
e and our population represents 25 per
the free world and 50 per cent of the
nocratic nations. You yourself have so
htly observed that we can play our
rt in international relationships effect-
ely only if we are economically strong.
is only then that we will be able to pre-
ve and sustain this democracy of ours
d help other countries who are under-
veloped to become prosperous. This
ll strengthen the democratic world and
sure peace in the world. Many know-
lgeable foreign observers are surprised
at we have been dragging our feet ins-
d of pushing forward vigorously on
e economic front.

But, unfortunatly, we are extremely
or. Our per capita income is very low
en in comparison with other developing
untries. In hundreds of thousands of
r villages, it is difficult to find pucca
uses or roads. Such houses, as there are,
e overcrowded. Sanitation and other
cilities are almost non-existent. A recent
mple survey shows that a large number
households has neither a cot to sleep in
r a light to remove the darkness: nor
en metal untensils to cook or shoes to
ear. A large number of them do not
ve even sufficient clothing. Medical
d health facilities also lag far behind
ose of the developed as well as many
veloping countries. Conditions are only
ightly better in the towns. In a city
ke Calcutta, which had 60,000 kutcha
d pucca dwellings 100 years ago with a
opulation of three lacs, the number of
wellings today is less thon one lac while
e population has swelled to over three
illion. Conditions of many of these dewel-
ngs is bad and a large number of them
ave been condemned for demolition.
Nearly 30 per cent of these are kutcha
uts. Similar condition prevails in many
ther cities.

abject poverty

How is it that there is still such abject
overty in our midst despite our getting
ndependence over three decades ago?
Our greatest curse is that we have very
ow wages and a large population. This
abundance of cheap labour has led to inefficient methods of production. And this labour which should have been a very valuable work-force, has not been given proper tools to produce efficiently. In spite of our wages being less than five per cent of those in the developed countries, our cost of production of almost everything is higher than the developed countries and yet we expect to sell this to our population whose per capita income is only two to three per cent of the developed world. If we raise the wages immediately, it means inflation. There will be no demand for the high cost goods either. If we lower the price of goods, most of the producers will find it impossible to produce. Even in the case of agriculture produce, which sells at a higher pricc than that in wcstern countries, our producer earns hardly Rs 1500 a year whereas his counterpart in the western countries earns more than Rs 1½ lacs per year.

rising taxation

Under the philosophy of socialistic pattern of society, taxes have been mounting up. It has been calculated that over the one and a half decades, per capita consumption rose by only 16 per cent whereas per capita taxation shot up by as much as 450p er cent. Taxes levied since 1946-47 have left little in the hands of the people, for investment or for consumption. Had such taxes not been levied and more savings left in the hands of the people, the investment from year to year would have been very much higher and the per capita income would have been about 8 to 10 times of what it is today. Government revenues would have also multiplied severalfold. But under present conditions what we produce is not consumed because of low purchaging power. We are producing many things, but only in small quantities, Unless we aim for more consumption and larger production of every item, we cannot create more employment nor generate more wealth, nor can we raise the standard of living. The quantum of production must be related to the size of our population. Steel is the key article in the modern and advanced technology of world today. Our per capita steel consumption today is only 10 kgs wherers in the developed countries, it is more than half a tonne. While in the world, total steel production capaicy is estimated at 750 million tonnes, our share is only one pere cent. At the turn of the century steel production is expected to go up to 1750 million tonnes in the world. Some international bodies have suggested that unless the developing and under-developed countries raise their steel production very substantially, they will remain poor even at the turn of the century. They have suggested that the underdeveloped counrties should at least aim at 500 million tonnes of steel porduction at the turn of the century. Unless we aim to reach our share of world market, i.e. 16 per cent of the world steel production and other goods at the end of the century, we will still remain poor.

Japanese example

Once our economy grows and we are able to produce on a large scale, we will earn all that we need for imports. No country can be self-sufficient in everything. The process of exchange of labour between different sections of people and countries has to continue. But at present we exchange our cheap labour to buy something from costly labour abroad. We used to complain in the colonial days that we are suppliers of raw materials and importers of manufactured goods. Even now the pattern remains much the same. Therefore, let us change the process whereby we export goods made by higher technology and higher cost of labour at competitive prices. Look at Japan. They exported everything with low cost labour. But it was all in terms of manufactured goods. Now they are changing their pattern and are exporting very sophisticated goods with much higher technology. They find that their cost is going up, but the exports of sophisticated goods earn them much more. We also need a larger production base without which we cannot export in substantial quantities. We have to produce all the goods that the world wants and will be willing to buy from us and this will be possible only when we adopt higher technology and be competitive.

Sir, we greatly share your concern for the country's vast underemployed agricultural population and the need for economic build up and prosperity in the rural

areas. But fcel that we cannot improve the condition of our farmer and increase his purchasing power unless we draw underemployed and uneconomically used human power from farm into factory and provide millions of jobs in villages and raise their incomes. It cannot be overlooked that in a country like the United States only six per cent of the population is producing not only all the food that the country needs but they are also supplying food to many other countries. In India our potential to produce is immense, but the agricultural incomes are low because of the vast underemployment and poor tools. The Indian farmer is a sturdy worker and and has taken well to innovate methods, and use of seeds, fertilisers and pesticides. If the vast water resources of the country are properly utilised, he can meet all the expectation and demands of a growing population. Our soil is extremely rich. Scientists say that even a state like UP alone can feed not only the whole of India but also the entire South Eastern Asia if cultivated on a scientific basis.

gigantic task

But this alone is not sufficient. I visualise that we have to provide 200 to 250 million jobs in factories before the end of this century. Of these, 100 million should be in over a lac of factories which may be considered medium and large and another 100 to 150 million in 3 to 4 million factories which will be either ancillary to large industries or service industries. We have to create jobs for another 200 to 250 million people in tertiary occupations. This will ultimately raise the living standards of the people as our goal for fuller employment is achieved. I am confident that business community can do it and we can reach your target of creating full employment in even less than 10 years.

I am afraid that the present form of planning which is imposed from above is incompatible with growth. It is high time that govenment and the people including businessmen work hand in hand as in other western countries and Japan. Everybody must be associated with planning for the progress of the country instead of a few bureaucrates planning for the country of 60 crores and a world market. It is only then we can achieve your objective of full employment.

We, Sir, pledge that we will fulfil your hopes as without this the future of the country will remain dark. I would appeal to all our friends who have assembled here and in other places to ensure that employment is created all round to bring more prosperily to the country. God willing, we will achieve your great vision and in this task we seek the help, blessings and cooperation of all people.

concerted effort

For long we have been depending upon the benevolence or charity or loans from the developed world. I feel that this kind of help is not going to benefit us. There is no need why we should seek concessionary aid. After all, we have all the necessary material resources. What we possibly need is imports of machines and equipment to give life to our dormant resources. We have been living in a sheltered economy since 1939. We had neither the possibility of competition with imports in our market nor were we able to buy freely modern machines, nor were we allowed to import adequate technological known-how. The result is that over the years we have become a soft country depending on perpetual help from developed countries and have adopted inefficient methods of productiou. And if we do not get the desired amount of aid, we abuse our donors. Instead of borrowing, we should allow those who have got the resources to invest in our country, so that we can acquire modern technology and more resources. If we have to borrow at all, it shoud be on a commercial basis in the international market. The main thing is that we should raise our living standard by our own efforts. When the oil prices rose, the western nations did not beg of oil producing countries for money, but they solved their problem by supplying those countries' needs. Why should we have to follow a different path?

It is time that we should think in terms of trade rather than aid. You, Sir, mentioned only the other day that the greatest effort has to be made by the developing countries for their own development. That is the basic truth. country like ours, which has more resources than most of the developed countr has nothing to worry. We have all resources in men and materials. What lack is the effort and freedom to produ Today the world has got a market of trillion dollars. This market is going expand to approximately 12 to 14 trill dollars by the end of the century. present population of the world is app ximately 400 crores. By the end of century this will reach 600 crores. Thi a vast market to which we can sup goods. The world trade is almost $ 1 billion. Our share of it is only 0.5 to per cent. The potentiality of this ma is so great that it could provide all employment we need. Besides, our consumption is bound to go up in co of time when we produce more. This set a chain reaction and if freedom is g to produce and consume, I have no do that this country, by the end of the tury, can produce 16 per cent of the w production and consume it. If we pro 16 per cent of the world production, total world GNP would possibly go u 15 to 16 trillion dollars.

overseas investment

In this task the entire business com nity in this country and overseas will us. Our business counterparts in diffe parts of the world will help us in set up facilities and also help us in expo more. To the extent we export goods, create more emplyment and greater p perity. Our low wages will gradually to the world level and this will be refle in the prosperity of the entire country

Some people are afraid to taking from outside business. But small c tries with very small population run into less than half a million people dealt with large foreign investors in country without any difficulty. There there is no need for suspicion. It w be based on mutual respect and m benefit.

At no time in history of the world was such a large pool of investible res as it is today after the price rise i Over the last three years this poo accumulated @ 40 to 50 billion d

er year. It is because of this large pool hat we should have no problem in finding nvestors on a commercial scale. Some of he oil producing countries have been nvesting heavily in the developed coun- ries in real estates and industries. Some thers have been borrowing from them nd investing or lending to diffcrent coun- ries in the world. It is said that during ast three years almost $40 billion were ttracted by the communist countries and hey are trying for more. We can and should increasingly tap such resources. As some of our people have gone to oil producing countries, their people also have started visiting India and spending heavily and our foreign balances have been rising. Yet it ts surprising that diffi- culties are created by us for the movement of our nationals to these areas. Such restrictions or too much bureaucratic con- trol should not be allowed to restrict our scope for expansion.

two-way traffic

If our own government helps Indian businessmen to go abroad to set up busi- ness in developing and developed count- tries, we, in turn, should allow other countries to invest in India. This has to be a two-way traffic. After all, most of the scarce items or equipment which we buy today are supplied by foreign manu- factures. It is better for us if they manu- ture the goods here under our control, save so much foreign exchange and pro- vide employment to our people. If we do not allow them to establish here we will not be able to export modern techno- logy to our friends and to that extent we will be of no help to those countries. If foreigners invest here, they will only be takingtaway a part of the profits but the plant and equipmeut would be still there. The foreign investor will only be a cata- lyst but most of the development work will have to be done by our own people through the manufacture of machines and equipment with or without their help as has been done in all the other developed countries.

In this connection, our own experience is quite significant. Most of the foreign firms established in the pre-independence period have left India because they could not compete with our businessmen. If the new investment, which may come, is found to be more efficient with high tech- nology, then we will be able to learn from them and become efficient ourselves. If they are found to be less efficient, they will sell their machines and go away. Therefore, I feel such cooperation would be in our national interest. It is time, therefore, that we open our doors and let fresh wind blow in the country, so that we can become efficient, supply goods to our people at lower than the world mar- ket prices, raise the level of income of the entire country and in the process, make the country strong. How long are we going to permit, the poor consumers to be penalised by our inefficiency?

We are still dependent for our sophisti- cated defence hardware on foreign coun- tries. We import this equipment from many socialist countries and others. I feel that it is time that government agen- cies should start placing orders for such equipment with Indian suppliers, who, in turn, will either assemble or make them in India. I see no reason why, if the equipment can be made a broad, it cannot be made here. Given the opportunities, India can make all the equipment that we need within 10 years. We may require outside assistance here and there, but we can do it. When the industrialised coun- tries wish to buy sophisticated equipment, they try to do it themselves and do not make the country dependent on others.

role of businessmen

Finally, I wish to address a few words to my friends in business. It is not merely because I am also in business, but ojec. tively speaking, businessmen in India have done a very good job on the whole. This is not surprising, inasmuch as we will go insolvent if we do not expand business all the time. Business is like riding a bicycle: if you unduly slow down or try to stand still, you will fall. It is not always realised that our businessmen represent almost 10 per cent of the total population of the country. We function not only in cities and towns, but also in hamlets.

So far, so good. But, I have often found a tendency among businessmen to feel pessimistic as to the future or fee aggrieved that their role is not fully re- cognised and appreciated by the authori- ties and public. No businessman is a true businessman if he is a pressimist. If we are criticised, we have to blame ourselves. Either our conduct has not been good, or we have not made the effort to set right the uniformed criticism. I would there- fore, strongly urge upon businessmen and their organisations to be alert and to ensure that nothing is done by businessmen which will evoke criticism. Our prime duty is to see that there are no scarcities and if, for any reason, the supply is not equal to the demand, it is up to business to so conduct itself that the imbalance is removed and in the short term, the move- ment of goods and commodities is kept up.

timely warning

Because of the sheltered market of the last few years, we have forgotten that scarcities do not lead to more profit. The consumer, if exploited, will react strongly against his exploitation. It is only abun- dance of goods at cheap prices that can create a large market. We also will bene- fit thereby, as we will have the possibility of lower margin on a higher turnover which will increase our total profit. The prospects in this country are that by the end of this century, our production can rise manifold. One should fully under- stand that if there is no prosperity in this country, it can lead to chaos. The recent election should be a warning. People are not going to take things lying down. They want a higher standard of living. They have been deprived of this by the so called progressive politicians, bureaucrats and businessmen combined. When even wes- tern countries can prosper without any raw materials or big market, there is no reason why we cannot do so. But we have to be as modern as anybody else in producing goods. Our targets should be high, so that by the turn of the century, we become a country with the largest production of goods and services in the world. We can become the biggest mar- ket in the free world, as there is no other country of our size with such resources.

There is yet another thought which I

want to share with my colleagues in business. It is that after the age of 60, everyone of us must think of problems and devote some time to matters affecting the society. I am not suggesting that we should leave our avocation, but my plea is that we should think for a while every day of what we can do about the problems facing the people. We have got the expertise to give and therefore, social gain will be much more. In the process, we help ourselves because without the improvement in social conditions, we cannot exist, nor progress. This in essence, is the spirit behind our Varnashram cod of Vanaprasth.

I now close with the prayer that ma our nation prosper and may all, who ar born and are yet to be born in our grea country be happy materially and contente spiritually.

Take steps to lower prices

Morarji Desai

I MUST congratulate this body (FICCI) for completing 50 years of its useful life. I have no doubt, it was useful, but I hope, it will be more useful in future than it had been in the past, especially not only for the business community, but more particularly for the poor of this country. And unless the business community takes into account or all communities for that matter, who have some advantage over the rest, that the advantage would be justified only if those who do not have the advantage, profit by that advantage. Unless that happens, the advantage will also be a source of jealousy and strife. It is this that we have got to bear in mind.

I do recognise that we are all human beings and I do not expect anybody to be a saint. I myself am not one, what right have I to expect others to be saint? But we have to be good human beings and a good human being or a proper human being is one who takes note of the requirements of others and does not look at his own requirements at the cost of others' requirements. It is fundamental to human life and it is only in the measure in which we are able to satisfy those requirements that we can hope to be happy. It is from that point of view that I am making a few observations.

unconditional cooperation

The President has referred to the new era of constructive cooperation and development. I do not know how cooperation can be anything but constructive. I do not know why qualification is added to cooperation. The business community does nothing without the consideration of profit and loss. Therefore, they must have some meaning in it, but this qualification makes cooperation rather weak. Cooperation must be given and not expected from others. Unless I give cooperation, I have no right to expect cooperation from others. Therefore, please do not think of constructive cooperation, but think of full cooperation—unconditional. Then only cooperation will have some meaning.

You have also referred to the necessity of removing corruption and in the same breath you have said that government policies are responsible for some of those things. I do not think any defence for one wrong thing is ever justified by the wrong actions of others. But in a democracy, it is the citizens who have to exercise control over the government, otherwise the government is bound to go astray. Power always is cotrrupting, as wealth is corrupting. Therefore, do not think that only power is corrupting. Please do not forget that wealth also is a great power and it is that which has got to be borne in mind. But when wealth and power combine, God help the country. This is where we have to be careful. Of course, power force and wealth force have to combine themselves. That also happens, but who can force me to do a wrong thing, Ido not know. It is my weakenss and fear and we have, therefore, to get over fear as I pointed out to your president when he met me and also to other members, who accompanied him. I have no doubt that you will be telling me things without any fear because I can assure you that there will be no action taken against you whatever may be the unpleasantnes with which you may have to tell me.

But you should also not help me to ge arrogant, That also you have got to see because there we have a responsibility t each other. We have got to help eac other in having a sense of proportion Unless we do that, all of us can go astray I am very conscious of that fact. I ca only tell you that I will try to observe thi in my own conduct as far as I can, bu that will not be enough unless you, wh are also in the seat of power, as I said also conduct yourself accordingly. An this is where, if we do this in cooperation we can raise this country to heights o prosperity, not even imagined by som people. I have no doubt in this method I have the greatest faith in the future an that too not at very distant date, in th future prosperity and greatness of thi ancient country. But we have to work fo it.

good of the people

Faith enables us to work for it. Tha faith must enable us to make sacrifice otherwise it is no right faith. We hav got to subordinate our personal interest to the interests of the society. This is hov most of the power and the wealth wi have to be used. They have to be use for the good of other people, not only fo oneself. As a matter of fact power shoul never be used for one's own good, it mus be used for others' good from whon power is vested in anybody. We shall try to do that, I can assure you, But as I said other power also has to be used for the good of the people and not only for you good. I do make one difference. Tha this power government has or those wh run the government have, has not to be used by them for their own good at all but the power that you have, you can

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This is the text of the speech delivered by the Prime Minister, Mr Morarji Desai at the Golden Jubilee Session of the FICCI held on April 23, 1977.

se for your good to some extent, but ore for others. If that is done, then we ill achieve what we want to achieve. I m sure that the goal is common for all f us.

But as long as there are more than 70 er cent of people in this country, who are n want, who have low standard of living, one of us can afford to live a life which vill attract jealousy and which will not ead to any good effort that is required to nake efficient work that you want to have n all directions and that is why we have got to see that we set an example for the other people, so that we make a common endeavour in bringing prosperity and happiness to this country.

populist view

You have also said that the populist view must not be taken, but you have cautioned me against taking populist view. This is erroneous. I do not know what you mean by populist view. If you mean by populist view that we should not go by what the people want, then it would be entirely mistaken. What most people want or what generally people want cannot be called a populist view. But there can be a few people, who might, in the name of the people, say something and make it a voice af the people by propaganda. That is another thing altogether, but that is not a thing which is going to affect us. That is a thing which might affect you, but not me. I am sure of that, but there also if we have a proper outlook on this we need not be worried about any views that go on as long as they are not shared by the bulk of the people.

But if the views are shared by the bulk of the people, if we ignore them, we ignore them at our cost and ignore them at the cost of the country. Therefore, please take note of such views more respectfully. That would be my plea with you. Whether it is heard or not will not worry me, but it is my duty to put it before you. You can take it for what it is worth.

I was also surprised when you said that there should be balance between means and ends. What is the meaning of balance between means and ends? The Father of the Nation, whom you also consider the Father of the Nation, taught us that means are far more important than ends and unless we are careful about the purity of the means, the ends are bound to be vitiated. There can be no balance in this matter. On means, there can be no compromise, especially about the purity of the means, and it is that which I would urge you to consider and accept in all your business transactions. In all your business transactions if you have purity of means, I shall have absolutely no hesitation in saying that then there can be no objection to earning wealth, there can be no objection to getting as much work as you want to be done either by yourself or by others, because then nothing wrong will be done.

The purity of means will mean that whatever we get, whatever we earn, whatever we accumulate, is not only for your use, but it is for the use of the society, which has enabled us to earn it. We are not obliging them in doing this. If there were not that society, how could you earn this and unless we utilise all this for the benefit of the society, there will be no justification in any accumulation whatsoever. And that is why Gandhiji had appealed to the business community to be trustees. Trustees do not make a firm or a trust. It only means you act in that spirit and if you act in that spirit, nobody has to tell you anything to the contrary. Then I will consider you to be good advisers and you will not seek advice from me. Then you will not be afraid of anybody. This is the only way we can shed fear. There is no other way for shedding fear, as I see it.

mistaken belief

But, I was certainly wondering when it was pointed out by the president that the money supply or excess of money supply should not be held responsible for the rise in prices and gave me an example for money supply having increased in 18 months from October 1974 and prices had been decreased at that time. That was what was pointed out. But I am afraid he forgets that it was the fear created by the emergency which was responsible for the fall in prices in the first few months. But they soon went up. He seems to be forgetting it. Of course you forget sometimes what is inconvenient to remember and remember what is convenient. But if you apply this money supply business, I am afraid you will do the greatest harm to yourself. It may appear attractive in the beginning, but it will do the greatest harm. I know, of course, that there are other causes also for rise in prices, but those causes are more related to you and none else, because it is you who produce the goods and you distribute them. Unless you keep the prices in proportion, who is going to do it. And in times of stress if even losses have to be borne temporarily they must be considered investment. Because then people will have more faith in you and it will be possible to get work with greater confidence and get greater profitability in future. And that is the point there.

mutual trust

I appealed to those friends who came and saw me and invited me for this august occasion, that I hope you will take some steps in this direction and see that prices are lowered. But I do not see any effort has been made. On the the contrary, only suggestions are made to the government. You can make as many suggestions as you like to the government. We will consider them. But if you do not consider any suggestions of mine, how I am going to consider your suggestions?

You said that the government must trust you. Trust is never asked for. It is to be earned. Unless it is earned, there can be no trust. Therefore, it is just like respect. Respect also has to be earned. It cannot be asked for and that is how we should work about this. I can assure you that I would not start with distrust of anybody. But I am not going to be stupid enough to be deceived by any trust I place in people. I can assure you about that. And yet there may be possibilities where it may be deceived. But I will take the risk of even being deceived. I will not start with mistrust, I can assure you. But please let us have our working regulated in such a manner, in such self-discipline that we will create the trust of the people in ourselves. Unless we earn that trust of the people, we will not deserve to be in the positions in which we are.

Truth ultimately triumphs

George Fernandes

OUR COUNTRY has recently emerged from the most traumatic experience of its contemporary history. The prime minister whose speech you have just now applauded and who is now being acclaimed for his patriotism and devotion to duty was till only three months ago a prisoner, in solitary confinement for 19 long months; he was branded as a person whose freedom constituted a grave threat to the security of India.

Those dealing with history in it's abstract may look at the events of the last 22 months in our country as just one more turn of the wheel of history. But those amongt us who had the honour and the privilege of fighting for what we believed was right and against what we knew was wrong, hold the view that what we went through was a struggle between truth and falsehood, between justice and injustice, between democracy and dictatorship.

Let me, however, use this opportunity to salute those among you who had the courage to stand up for Truth and Justice and Democracy and who in the process staked their everything.

Of course, there were many who believed that the emergency and the dictatorship was the nicest thing that had happened to the Indian people. One among you, for instance, speaking on behalf of 600 million people believed that the emergency and all that went with it was justified. It is another matter that the 600 million people held a view contrary to that of this great leader of industry on such profound matters as Magna Carta, freedom of thought and freedom from want.

Another became not only Ambassador extraordinary of the dictator and of the son of the dictator, but used every means—and all of them foul—to raise funds for the twosome.

I suppose most of you would have been happy if the dictatorship had succeeded in legitimising itself. One of your own tribe mentioned the other day that Rs 40 crores went to the erstwhile dictator's party to help it win the elections it finally lost. I would like to be enlightened on the ways and means employed to get this money. The laws of the country may have something to say on the subject.

This is the text of the speech delivered by Mr George Fernandes, the union Communication minister, at the Golden Jubilee Session of the FICCI.

Of course, all dictatorships provide some amusement to their people. For instance, when ordinary mortals put on the airs of the omniscient and go about as super-persons, men like me cannot help but laugh. Similarly, when people like you take banners and placards in your hands and walk in processions proclaiming eternal loyalty and devotion to all the points of the super-person, that also makes one laugh.

But the more important point is why do men who are supposed to be captains of industry and leaders in their trade, kow-tow to those in authority? What is it that is missing in one's character that makes one behave like rats? What is use of building all the giant enterprise in the process, one loses what is m important in life—one's character one's manhood?

If all these questions and observat sound awkward, the fault, you will ap ciate, is not mine, I am not saying t things to embarrass you. I speak in hope, however faint that hope may that you will from now on stop pay court to those in authority and do y duty by the country, and learn to fight what is right. But only they fight who free from fear. And freedom from comes when one's hands are clean, w one has nothing to lose. And I hope you have realised that while it may profitable in the short run to compro with evil and with injustice, Truth mately triumphs.

During my days in the undergroun poem by James Russell Lowell, the n teenth century, American poet and sta man provided me with great inspirat I shall quote one verse from it and t I shall be done:

"Once to every man and nation
Comes the moment to decide,
In the strife of truth with falsehood
For the good or evil side—
"Then to side with Truth is noble,
When we share her wretched crust,
Ere her cause bring fame and profit
And 'tis prosperous to be just;
Then it is the brave man chooses,
While the coward stands aside,
Till the multitude make virtue
Of the faith they had denied."

Government and business to collaborate

The need for businessmen involving themselves actively in the national task of removing poverty was stressed at the golden jubilee session of the Federation of Indian Chambers of Commerce and Industry.

Participating in the discussion in the sectoral programmes, **Mr K.N. Modi** a leading industrialist, stressed that the people could not be fooled for ever. "The janata is very much alive. There is a limit to their patience."

Mere speeches and gimmicks would not satify them, he said. The business community must give constructive suggestions to the government on the various economic problems facing the country.

Mr D.C. Kothari, a former president of FICCI, said the time had come for the country to take stock of planning process of the last 30 years to find out the deficiencies and the measures required for correcting the situation. Economic policies should be so geared as to ensure that 42 per cen the population who lives below the pov line has some means at its comma Production should also be kept at a l which may satisfy the needs of these peo

Mr Kothari also wanted reorientatio economic policies to enable the peopl save and invest their savings for proc tive purposes. Reorientation in the t tion policy, planning priorities and rea cation of resources were among o

ggestions made by him. India, he said, uld become one of the major producers cash crops.

Mr A.K. Jain felt that the growth rate r industry envisaged in the FICCI theme per was much low. There must be a gher rate of industrial growth to meet e input requirements of the agriculture ctor.

Referring to infrastructural facilities, r Jain said the power sector had been und to be the weakest. Increased attenon must be given to the completion of e ongoing projects in power and also to planning of new ones.

Mr Kailash Gupta, president of the dian Chamber of Commerce, Cochin, said e government and the business commuty had a significant role to play in the sk of building a prosperous society. upplies must always be kept ahead of the owing demand and in order to ensure an undant supply it was imperative that usiness must be made as massive and as road-based as possible.

Mr Gupta complained that the exporters f Kerala had been denied the benefits of he amendment to the Central Sales Tax Act last year to make Indian goods competitive in world markets. This had adversely affected the export of several items from Kerala, particularly spices, hill produce, sea foods, tea and coir mats. The attitude of the Kerala government in this matter had nullified and negatived the very purpose for which the Central Sales Tax Act was amended.

Mr Kanoria, asked industrialists to take due note of the government's concern over inflation. He said that the industrialists should submit concrete proposals to the government. "That way we could be more effective. For, the prime minister had said he would listen to us if we in turn also respond to his call (to hold the price-line)".

On the question of shortages and surpluses, Mr Kanoria said: "Unless we are able to devise a mechanism by which prices can be stabilised, we will not be able to justify the activities of the trade."

Mr Pravinchandra Gandhi suggested that savings in the village sector could be usefully mobilised to expand the equity base of new industrial units in rural areas.

Mr Harishankar Singhania emphasised that a consumer-oriented society was in the making, which meant demand for products would have to be created in a planned manner.

Mr Premchand Jain said industry must take steps to optimise production and get the best out of the assets. In other words, they must step up the output per unit of rupee invested.

Mr Ramkirshna Bajaj wondered if chambers of commerce could not associate themselves with vigilance committee, in co-operation with consumer guidance societies. He referred to Mr Mohan Dharia's recent speech in Bombay wherein he had said that if industrialists did not behave, society would boycott them.

Mr Hasmukhlal Shah suggested a code of conduct for business. "We all have to behave in a proper manner. We have to work in such a manner that what we produce reaches the masses at a reasonable price."

Mr C.D. Thakkar saw "no shortcut to higher production", except through higher consumption. He advocated voluntary control of prices on the part of the private sector.

FICCI Awards, 1976

THE FEDERATION of Indian Chambers of Commerce and Industry has been making wards since 1968 for outstanding contributions in various fields of wider social esponsibilities, including cash awards for ndividual scientists/technologists. To commemorate the International Women's Year, a new award was instituted in 1975 for outstanding achievement by a woman entrepreneur/executive.

Agriculture

National Dairy Development Board, Anand : Set up in 1965 under the aegis of the ministry of Agriculture to help creation of Anand-pattern milk producers' cooperatives in different states throughout India, the National Dairy Development Board (NDDB), Anand has made significant contributions to the establishment of dairy plants by providing technical services and doubling milk supplies in the four major cities Bombay, Calcutta, Delhi and Madras. Today, this is deemed to be the largest dairy development project in the world.

The government derived inspiration for setting up the board from the good results shown by the Kaira District Co-operative Milk Producers' Union Ltd., popularly known as Anand Pattern (Amul) built up on the basis of self-reliance. The NDDB through the government of India formulated and launched the operation Flood Project with the UN's World Food Programme Assistance. The project involved an investment of Rs 954 million for India's dairy development.

Apart from the above project, the NDDB is also involved in planning and implementation of the World Bank Projects for dairy development in different states of the country. In all, the board has taken up the work of the creation of Anands in 12 states at 28 different places.

The nutritional, economic and social impact of the creation of Anands has been encouraging, especially with reference to the conditions of weaker sections. The board has helped in successfully adopting sophisticated technology to ameliorate their overall economic and social conditions by building up locally suited institutional mechanism.

The board carries out feasibility studies, provides teahnical service for dairy development and helps in projects including specialised dairy engineering services and man-power development and consultancy services. The board has also acted as a catalytic agent to bring about a number of changes in the social life of the people in villages.

The NDDB has been the recipient of Import Substitution Award of the Directorate-General of Technical Development

in 1976 for the development of bulk vending system of distribution of milk.

The board's efforts in the creation of Anands had provided an inbuilt infrastructure for daily contact and extension and other activities for further economic development and social change. The project through its spread effect has also the potential to create immense job opportunities and employment for the unemployed people specially in the rural areas. The board's leadership and guidance in India's dairy development is commendable.

Export Promotion

Bajaj Auto Limited, Pune : Bajaj Auto Limited, Pune, set up in collaboration with Piaggio & Co. of Italy, to manufacture Vespa Scooters, developed indigenously a new model of scooter called 'BAJAJ-Chetak' for export market. Its exports increased by over 400 times from a modest Rs 0.76 lakhs in 1971-72 to Rs 314.66 lakhs in 1975-76. Besides, there has been a steady increase in the percentage of exports to total production from 1.13 per cent in 1973-74 to 12.32 per cent in 1975-76. More importantly its export performance has been against the background of vast domestic demand and better profitability in the domestic market as also a stiff competition from their erstwhile collaborator—Piaggio & Co. and other giants in the world markets viz. Honda, Yamaha, Suzuki, manufacturers of world's best motor cycles.

The company's export effort started prior to one year before the expiry of collaboration agreement. The company gathered commercial intelligence from various countries to identify the markets and made strenuous efforts to create an awareness about its products and to convince the buyers abroad about India's capability of producing quality engineering products- Due to its ceasless efforts, the company could catch the markets in countries like Hong Kong, Taiwan, Thailand, Indonesia, Singapore, Bahrain, Iran, Nigeria, Mauritius, etc. The company has also signed technical collaboration agreements is 1975 for assembly-cum-progressive manufacture of scooters and three-wheelers with Indonesia and Taiwan. The company is one of the biggest foreign exchange earners.

Inspite of having a waiting list of about four lakh persons, Bajaj Auto Ltd. could export a sizable quantum of scooters and three-wheelers in their bid to capture a major share of the world's scooter demand. The company is carrying out extensive sales promotion measures abroad including participation in international trade fairs, etc. and has produced a one minute film on its Bajaj-Chetak scooter for screening on TV/cinema houses in various countries. The company is also making efforts to market its scooters in developed countries like the USA, Canada and Japan. The company's initiative in developing exports in an item which has a stiff competition from manufacturers of developed countries deserves recognition.

Industrial Relations

Atlas Cycle Industries Limited, Sonepat: The Atlas Cycle Industries Ltd., Sonepat, the largest producer of bicycles in the country, enjoys an impressive record of industrial peace and harmony. This is amply demonstrated by the absence of any loss of production due to industrial relations problem for nearly fourteen years.

Although the company had to face a number of problems in industrial relations initially, it could overcome them by handling such situations with firmness and fairness. This has been possible because of the imaginative and humane handling of industrial relations problems through a system of bipartite settlements without any external interference as also encouraging internal leadership among the workmen.

The grievances of the workers, according to its scheme, are redressed through the grivance procedure and by a bipartite body called the 'Settlement Board' set up at the plant level, consisting of equal number of representatives of the workmen and the management. The Settlement board meets every month in which all types of disputes including those relating to bonus, wage structure, etc., are discussed and settlements arrived at. This board also discusses grievances of the workmen not resolved at the shop floor level, and the company has the distinction of settling all disputes taken up by the board unanimously. Since 1962, reference of a collective dispute has before the Labour Court or the Indus Tribunal.

The company has introduced lib social welfare schemes such as subsid meals, monetary help to workers du illness and other emergencies, distribution of books as also gi scholarships to the brilliant children the workers.

The public relations and close cont with the workmen and their families liv in the villages have also helped the co pany in achieving good industrial r tions. The attitude of firmness and f ness of the management has created sense of discipline and involvem among the workers. The company's tiative in building sound industrial r tions by encouraging internal leaders deserves emulation.

Science & Technology

Ahmedabad Textile Industry's Resea Association, Ahmedabad: Ahmeda Textile Industr'y Research Associat (ATIRA), Ahmedabad has made signific contributions in the reduction of ene consumption by the textile industry thro researches concerned with appropri choice of fuels, proper utilisation energy, development of low temperat cure catalysts, and the experimental p duction of various equipments. With end in view, ATIRA carried out m than 100 boiler surveys indicating t improvements in the fuel efficiency boilers can be achieved by proper firing fuel, avoiding excessive air for comb tion, minimising loss due to unburnt f in the ash, installing sufficient economi capacity, returning condensate, and ado ing proper feed water treatment. By plementing the above findings of ATIR the textile mills have increased the e ciency of the boilers by 6.6 per cent, t is nine per cent saving in fuel, amount to approximately Rs 1.5 lakhs per y per mill.

In the field of steam distribution a utilisation, ATIRA carried out extens researches, arrived at the figures for de able pressure of steam on differ machines and actual pressure observ and laid down steam consumption nor

r textile processing machines and speci- steam consumption. These studies are timated to have made a saving of Rs 45 kh per annum to textile mills. ATIRA as also evolved heat utilisation efficiency HUE) index which compares the actual el consumed by the mill with fuel con- mption norm taking into account the ctual production and process sequences llowed.

With a view to increasing productivity hrough drying equipments, ATIRA has leveloped a Repidry and Dual Dryer, the irst one is an equipment, which can be ttached to any existing cylinder dryer to oost its production by 30 per cent, while he second is a new type of dryer which mploys two types of drying in an opti- num combination employing fewer ylinders.

ATIRA also conducted extensive study on stenters used for finishing and curing of fabrics, and evolved correlations con- cerning optimum compromise between productivity and thermal efficiency. The association has also developed an instru- ment called "Drying Optimiser" to facili- tate maintenance of optimum humidity in stenters. It has further developed a "Waste Heat Recovery Tower" for utilis- ing waste heat from stenters. 60 per cent of the waste heat from the stenter is re- covered through this tower.

With a view to minimising consumption of electrical energy without reducing the productivity or quality of the fabrics, the association developed low temperature catalysts for pigment printing and resin finishing of fabrics to be done not only at lower temperature, but also in lesser time period.

Humidification plants which provide the required ambient conditions in differ- ent departments consume a great deal of power. ATIRA came to the conclusion that by elimination of internal discharge of pneumofil air and roof cooling by spray- ing water, the power costs of these plants can be reduced, and at the same time it added to the comforts of the workers. The valuable work of the association has led to substantial economies in individual factories. The efforts of ATIRA in the creation of energy conservation conscious- ness in the textile industry are of great importance in the national context.

Life Sciences

This Award is being shared between Dr Surendra Kumar Ranjhan, head of the Animal Nutrition Division of the Indian Veterinary Research Institute, Izatnagar, and All India Co-ordinated Cotton Improvement Project Team led by Dr V. Santhanam. As a special case, each will receive Rs 10,000.

Dr Surendra Kumar Ranjhan, Izatnagar: is the head of the Animal Nutrition Divi- sion of the Indian Veterinary Research Institute, Izatnagar. He has done exten- sive work on evolving suitable economic rations for various categories of livestock, including buffaloes, sheep, pigs, and poul- try, either by replacing the costlier cereal grains with the cheaper conventional by- products or by introducing in the dietary of the animals, newer products leading to various formulations involving the appro- propriate admixture of cheap conven- tional by-products.

Dr Ranjhan evaluated improved varie- ties of fodder, evolved cheaper all rough- age rations for the growing of calves with- out any concentrate feeding. Also studies were conducted under his guidance on economic raising of newly born calves on a limited milk intake with supplemen- tation of calf starters, composed of cheap feed ingredients, upto three months of age. Today, almost all the centres in the cross breeding project in the country are following the sytem of raising calves on starters with limited milk intakes.

He also developed a method of raising cross breed calves and lactating animals upto six litres of milk by giving a diet with two per cent liquid urea molasses mixtures, supplemented with vitamins and minerals and with limited intake of fodder and concentrates. This method holds the promise for production of beef from the male buffalo calves on the lines on which Cuba is producing beef from the molas- ses based feeds.

Dr Ranjhan conducted experiments to improve utilisation of ground-nut cake proteins by protecting it with tannic acid, formaldehyde and heat treatment and established that protection of protein by this method improved protein utilisation by 20 per cent. He also guided projects for laying down nutrient requirements for animals. On the basis of the work done, four books have been prepared for publi- cation.

As a project leader of FAO—IAEA project on animal nutrition and metabo- lism, Dr Ranjhan guided nuclear research on rumen digestion and metabolism using radio-isotopes techniques. Various dietary treatments were evaluated in cattle using tracer techniques. The team developed a new method for *in vive* protein synthesis rates in the rumen.

Dr Ranjhan has provided valuable leadership as the national coordinator of various projects on the utilisation of agro-industrial by-products as livestock feed. Dr. Ranjhans's formulations, involv- ing by-products of sugar industry helped in saving a large number of animals during the 1972-73 drought in Maharashtra where he worked as a member of a techni- cal team.

All India Co-ordinated Improvement Project Team composed of **Dr. V. Santha- nam**, Former Project Co-ordinator of the above project: Dr V. Sundram Director and Mr P.G. Oka, Junior Physicist, Cotton Technological Research Labora- tory, Bombay: Mr C.T. Patel and Dr B.H. Katarki, Cotton Breeders: Mr P.V. Marappan, Professor of Agricultural Botany, TNAU, Coimbatore: Mr R. Krishnamurthy, Cotton breeder of above Project and Dr. K.V. Srinivasan, Plant Pathologist and Mr G. Veda Murthy Entomologist, Central Institute of Cotton Research, Coimbatore.

The all India Coordinated Cotton Im- provement Project Team consisting of the above nine research workers have con- tributed individually and jointly to the development of better yielding varities of cotton and standardisation of techniques for realising high yields from them. They were responsible for the development of first ever commercial hybrid cottons, i.e. HYBRID-4 and Varalakshmi and long staple and extra long staple cotton varities including Egyptian types in India i.e,, 'MCU-5', SUJATA, and 'SUVIN', which are equal to the best imported Sudanese and Egyptian cottons. The above varieties have brought about a sig- nificant and progressive transformation in agriculture and striking quantitative and qualitative improvement in the cottons available to Indian textile Industry. They

have among themselves contributed a production of more than 15 lakh bales of cotton during 1973-74 and 23 lakh bales in 1974-75. These varieties are also suitable for blending with man-made fibres, thus eliminating dependence on imported cotton. The value of the produce is estimated in monetary terms to be around Rs 360 crores a year, and has resulted in bringing down the import of cotton from about eight lakh bales in 1960s to less than a lakh bales in 1973-74. On the other hand, during 1974-75 two lakh bales of extra long staple cotton were exported to the south east Asian countries.

The above scientists who have been involved in the work belonging to different scientific disciplines, i.e., cotton breeding, technology, pathology and entomology and working in different capacities in different centres located all over India, have, by their common endeavour towards the goal of improving cottons, made a significant contribution deserving recognition. The team has also standardised the techniques for production of hybrid cotton seed, involving labour intensive technology. The production of hybrid seeds provided abundant employment potential in Indian villages.

Industrial Technology

Dr. A.S. Rao, Hyderabad, formerly Director of the Electronics Group at the Bhabha Atomic Research Centre for nearly two decades, is presently Managing Direcror, Electronics Corporation of India Limited, Hyderabad, a public sector corporation, which does not have any inputs from any foreign organisation. The moving spirit behind the organisation, Dr Rao has been able to achieve within a decade of its setting up an annual turnover of about Rs 30 crores covering a wide range of products based entirely on the research and development carried out by the Atomic Energy Commission family.

As head of the Atomic Energy Establishment, Trombay, Dr Rao brought the project to fruition within one year, managing the task of designing, fabricating, installing and commissioning the entire control and radiation monitoring system by marshalling indigenous design talent with a view to establishing technological capability in the field of reactor electronics. He also established the electronics group at BARC, recruited, trained and build up a professional engineering manpower and took on fresh responsibilities in developing industrial electronics, including components technology, instruments and system technology, analog and digital computers.

Dr Rao also initiated and carried through design and engineering programmes on a broad front of electronics materials, professional grade electronic components including semi-conductors, industrial, nuclear, medical and electronic instruments. Dr Rao organised on a country-wide basis a personnel managing film badge service to provide training to all radiation users to assess the hazards arising from radio-active fall-outs from nuclear weapons testing, and popularised radiation protection, industrial hygiene and industrial safety services.

As Managing Director of Electro Corporation of India Limited, Dr advocated inter-unit transfer of tecnno through transfer of personnel and s facilities from BARC and paved the which is of considerable relevance to problems of technology transfer to d loping countries in general. He made ECIL a going concern in a short span three years with commercial viability profitability established. The ECIL co a wide range of products from enterta ment electronics (television) to the sop ticated electronics like computers, for defence, nuclear energy, railwa posts and telegraphs and the fertil industry. The achievements of the E are based entirely on the research development carried out by the Ato Energy Commission family, the credit which goes mainly to Dr A.S. Rao.

Office-bearers of FICCI

Mr B.P. Poddar has been unanimously elected president of FICCI for 1977-78. Mr Pravinchandra V. Gandhi has been unanimously elected viee-president. The general body also elected the following as members to the committees of the federation:

Industry : Mr R.P. Goenka, Mr A.K. Jain, Mr S.N. Khaitan, Mr Harish Mahindra, Mr Kanti R. Podar and Mr Harishankar Singhania.

Trade : Mr R.R. Bhiwaniwala, Mr S.C. Chokhani, Mr V.D. Chowgule, Mr S.N. Dalmia, Mr C.V. Mariwala and Mr K. S. G. Haja Shareeff.

Associate Members : Mr V.H. Dalmia, Mr G.K. Devarajulu, Mr A.K. Jain, Mr Sudhir Jalan, Mr P.K. Kanoria, Mr Arvind Narottam Lalbhai, Mr Rohit Mehta, Mr B.K. Nopany, Mr D Patodia, Mr V.K. Poddar, Mr R.L. R garhia, Mr A.K. Rungta and Mr Gov Hari Singhania.

The standing advisory committee con ting of the following was also constitu by the committee : Mr B.P. Podd President, Mr Pravinchandra V. Gand Vice-president. Mr M.V. Arunachala Mr Ramakrishna Bajaj, Mr S.K. Bir Mr G.K. Devarajulu, Mr J.H. Doshi, R.P. Goenka, Mr A.K. Jain, Mr L Jain, Mr Prem Chand Jain, Mr Arvind Kilachand, Mr Arvind Narottam Lalbh Mr Harish Mahindra, Mr K.N. Modi, D.N. Patodia, Mr Viren J. Shah, and H.S. Singhania.

RCORDS AND STATISTICS

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Post Box No. 34, New Delhi–1

Tyres: From shortage to surfeit

In the throes of a crisis

S. P. Chopra

THE DEMAND for tyres today is significantly lower than supply. What was some years back a sellers' market has changed into a buyers' market. Even established manufacturers are being forced to curtail production in order to minimise their losses.

It was in November 1968 that the government had clamped down price control on tyres. At that time an acute shortage of tyres was witnessed in this country. The demand for tyres far exceeded supply. The government felt that there was no option but to impose price control on tyre manufacturers. This restrained the manufacturers from taking an undue advantage of the tight supply position of tyres but a number of complaints were heard at the retailer's level where substantial unofficial mark-up in prices had taken place.

Oil Crisis

And then came the oil crisis in the last quarter of 1973. The price of crude oil rose more than four times. Consequently, petrol and diesel prices went up sharply in this country. This sudden rise in fuel prices gave a severe jolt to the road transport industry which in turn did not fail to hurt the tyre industry. The demand for tyres fell sharply and it was felt that the price control imposed in 1968 had become redundant. By April 1974, the statutory price control on tyres was withdrawn by the government.

Acute Shortage

A new policy relating to the tyre industry had been formulated during the period this country felt acute shortage of tyres. The government of India had issued three licences to Indian companies each with a capacity of 400,000 tyres. Hitherto a majority of the tyre manufacturers were foreign companies such as Dunlop, Goodyear, Firestone, etc. The first to go into production was Modi Rubber and by last year its output had exceeded the licensed capacity. The other two are starting production this year.

New Entrants

The total output of tyres in 1976 was 5.6 millions as against the licensed capacity of 9.1 millions and installed capacity of 8.0 millions (see Table I). The reports from the tyre markets of the country indicated that even this order of production was more than what could be reasonably absorbed. Surely with the entry of the two new manufacturers, the supply of tyres will become so easy as to generate keen competition leading to reduction in prices as well as scaling down production by some of the manufacturers to cut their losses. Already the stocks of automobile tyres are piling up with manufacturers. While between 1971 and 1974 the year-end stocks of automobile tyres with manufacturers ruled around 100,000, their number shot up to 263,000 at the end of 1975 and are estimated to have crossed the 300,000-mark at the end of 1976. No estimates, however, are available for stocks which have accumulated with the dealers all over the country.

Giant Tyres

In keeping with the demand forecast worked out by the Planning Commission during the period of tyre shortages, the government had issued letters of intent to nine companies, each having an annual capacity of 400,000 tyres (see Table II). As things stand today, it is hardly likely that any of these companies will go ahead with its project for some time. At current level of business activity, the installed capacity of tyre units seems to be much above the requirements of the country.

A word about the composition of tyre production by the manufacturing units. The statistics for 1976 indicated that the tyre industry gave the maxi-

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num importance to the production of "giant size automobile tyres" which are needed by the transport operators. The "other than giant tyres" took the second position in volume of production. The shares of tractor tyres, cycle tyres and ADV tyres were relatively small. This again points to the intimate link of the tyre industry with the road transport industry.

The road transport industry in this country, by and large, happens to be in the hands of individuals and not large organised companies. Rough estimates indicate that nearly six million families — about 30 million persons — obtain their livelihood from it. This shows that any downturn in the performance of this industry affects adversely the living standards of nearly five per cent of the population of this country.

Road-building activity plays a key role in developing employment opportunities. The National Council of Applied Economic Research has estimated that the investment of a crore of rupees in road-building throws up employment opportunities to 11,000-12,000 persons and as soon as the project is completed, another 4,000 persons get employment as a result of the vehicular traffic. Thus road-building, road transport and tyre industry are inextricably linked-up. What is more, a host of ancillary units and repair shops can thrive on an expanding road transport industry.

This aspect of the influence of road transport industry on the tyre manufacturers has been brought out in a telling manner by Mr N.F. Cope, Managing Director, Goodyear India Limited in a separate interview published elsewhere in this supplement. Rightly Mr Cope has connected the fate of the tyre industry with the road transport industry which in turn is dependent upon the health of the economy in general. If there is boom in the economy, it will be reflected in the activisation of the road transport industry which in turn will stimulate demand for tyres.

TABLE I

List of Present Tyre Manufacturers

(In numbers)

Company	Licensed capacity	Installed capacity	1976 Production
Goodyear	600,000	729,000	571,865
Dunlop			
Sahaganj	1,141,000	1,141,000	
Ambattur	780,000	725,000	
	1,921,000	1,866,000	1,940,236
Ceat	1,010,000	850,000	1,013,468
Firestone	1,100,000	1,100,000	757,000
Inchek			
Calcutta	500,000	550,000	51,320
Rae Bareilly	400,000	—	—
	900,000	550,000	51,320
M.R.F.			
Madras	1,000,000	600,000	
Goa	800,000	450,000	
	1,800,000	1,050,000	541,000
Premier	600,000	400,000	231,908
Modi	400,000	500,000	479,000
J.K.	400,000	500,000	—
Apollo	400,000	500,000	—
Total	9,131,000	8,045,000	5,585,797

Here it is necessary to discuss the performance of the railways which during the past two years have been able to improve their working partly because of the compulsions under the emergency. It cannot be denied that the users of railway transport have shown increasing satisfaction with the quality of service which they have received in recent months. Industrialists have faced less difficulty in obtaining raw materials and also in being able to despatch finished products to all parts of the country through the railways. The improvement in the working of the railways has also contributed to the overall expansion in industrial growth in the country.

It may be recalled that the steady progress of the road transport industry in this country was recorded precisely in those years when the railways were becoming increasingly inefficient. Because the manufacturers were not sure of the time schedule either for receiving the raw materials or in despatching finished products through the railways that they had transferred their loyalties to road transporters. Now that the railways are performing well, the road transporters have felt the impact of competition. This also has been a powerful factor in the current recessionary tendencies which the road transporters have been facing.

TABLE II

List of Proposed Tyre Manufacturers

(Letter of Intents issued)

Tamil Nadu Rubber	400,000
Vikrant Tyres	400,000
Webstar Ltd	400,000
Punjab Tyres	400,000
Gujarat Industrial Investment Corporation	400,000
Orissa Tyres	400,000
Andhra Pradesh Tyres & Rubber	400,000
Universal Tyres	400,000
Iboon Pvt. Ltd./ Bihar State Industrial Dev. Corpn.	400,000

In short, the argument for providing stimulus to the tyre industry boils down to providing increasing outlay for the road building programme and removing such constraints as limit the growth of road transport. Even though considerable work had been done since 1947 in laying out both surfaced and unsurfaced roads throughout the country, much ground still needs to be covered. Also, a good road can help in reducing the cost of operation of vehicles.

The Keskar Committee had come to the conclusion that on a good road, the cost of operation could be half of that of a bad road. The Indian Productivity Team on Road Transport which visited West Germany, the UK and the USA also came to the same conclusion. It was demonstrated that the cost of haulage of goods per tonne-mile declined sharply with increase in capacity of the vehicle. And only a good road could stand the

pressures of heavy, large-sized vehicles.

The critics of the government's road-building policy feel that the funds earmarked for this purpose have hitherto been extremely inadequate. According to Mr F.P. Antia who has been relentlessly fighting for increased funds for the road-building programme, the roads continue to be on sufferance as far as the official policy is concerned even though they are not a losing proposition. It has been shown by him that since 1951 total income accruing to the centre as well as the states from road transport has been far in excess of the total capital expenditure on new roads.

Not only that the mileage of surfaced and non-surfaced roads in this country is inadequate, the number of vehicles plying is also very small keeping in view the vast area of this country or its rising population. For example, in our country there are only three vehicles for every 1,000 population as against 12 in Sri Lanka, seven in Indonesia and 24 in Thailand. Similarly, the number of vehicles per kilometre of roads are 1.4 in case of our country as against four for Sri Lanka, 10 for Indonesia and 31 for Thailand. Here, our country has been compared only with the other developing countries in Asia and not with Japan where the number of vehicles per 1,000 population is as high as 257 and vehicles per kilometre of road is 27.

All the tyre manufacturers are of the view that it is not the high excise duty on tyres alone which is responsible for the current recessionary tendencies. The total burden of taxes borne by the road transport industry particularly the excise duty on high speed diesel is a big deterrent. Mr Chanderkant S. Desai, chairman of Premier Tyres Limited, brought out this fact in a graphic manner in his speech at the sixteenth annual general meeting in December last year. Said Mr Desai : "At the time of international oil crisis in 1973 our foreign exchange reserves were low and as the price of crude became five to six fold, without any notice, it became imperative to initiate immediate steps for cutting-back on our future imports of oil and as a disincentive for use of petroleum fuel excise duties on petroleum products were steeply raised. In this process high speed diesel which is the lifeblood of transport industry began and continues to attra duty at 67 per cent of the e refinery price. Of the prese consumption of high spe diesel at approximately eig million kilolitres, railways co sume only about 10 per ce and thus the road transpo industry contributes approx mately Rs 270 crores out aggregate Rs 300 crores as e cise duty on high speed dies Besides other imposts, exci duty at 67 per cent has literal been found backbreaking ar the very viability of this indu try is in peril".

The fifth five-year Plan proposed to be re-cast by t Janata government. This is t second time that it will unde go revision. It is not know where the axe will fall. In th absence of the new contou of the Plan, there is no optic but to examine the part whic

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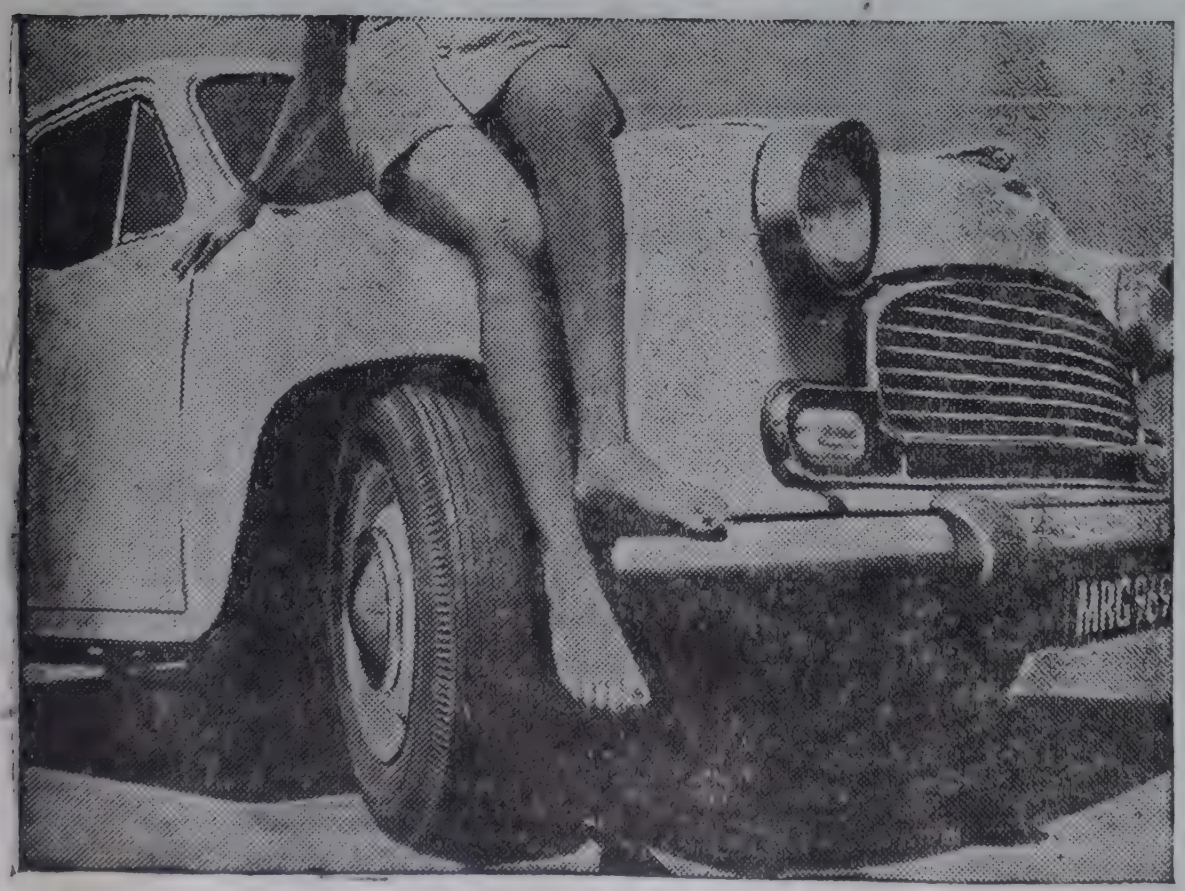

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the road transport industry was supposed to play in the original Plan. Against 370 million tonne of goods traffic carried by all modes of transport in 1974, an increase of 170 million tonnes (+46 per cent) was required during the Plan period. The portion earmarked in this increase for road transport was 100 million tonnes i.e. road transport was expected to raise its capacity to carry 220 million tonnes of goods as against 120 million tonnes in 1974. Even if the target of the desired increase is reduced to 75 million tonnes, it will not be possible to attain this goal overnight.

Interview : N. F. Cope

Slackness in tyre market

Mr S.P. Chopra, Senior Assistant Editor, Eastern Economist, *recently interviewed Mr N.F. Cope, Managing Director of Goodyear India Ltd.*

Q. *What is the current state of the tyre industry? Has there been any let-up in the recession which gripped it during the last two to three years?*

A. Truly speaking, the recession is in the road transport industry. Since it is still in bad shape, the tyre industry continues to experience recessionary tendencies. If the trucks do not move the tyres are not used, leading to a slackness in this market.

Q. *Is it the reduced size of the market or the excess capacity of the tyre industry which is responsible for the recession?*

A. I think the major factor is the efficiency of the railways. A few years ago, the railways in this country were so inefficient that manufacturers patronised the transporters even if they had to pay a little extra. Now that the railways are doing better, many manufacturers are switching over or have switched over from road transport companies to railways. I am sure the new government would not allow the railways to go back to its old ways.

Q. *Then, how can the demand for tyres be stimulated in this country?*

A. An increase in business activity would revive the languishing road transport industry which, in turn, would impart fresh life to the tyre industry. The key therefore is in the hands of the people who formulate its economic policy. If they take such measures as would speed up the rate of growth of the economy, the tyre industry will once again experience sunshine.

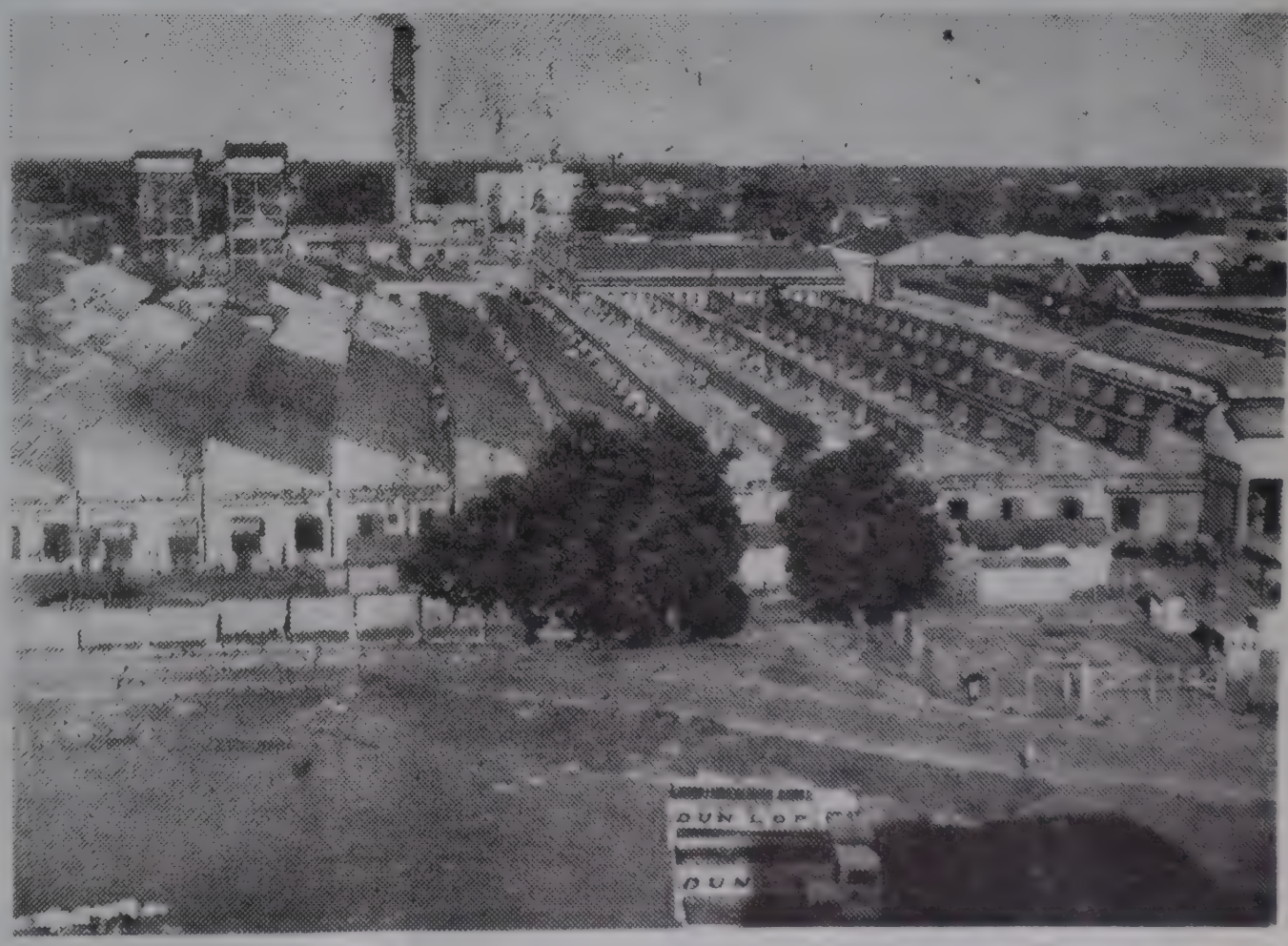
Q. *Have you approached the government with specific proposals which might help in assisting the tyre industry?*

A. Yes, we have approached the government for relief in taxation not only for the tyre industry but for the transport industry as a whole.

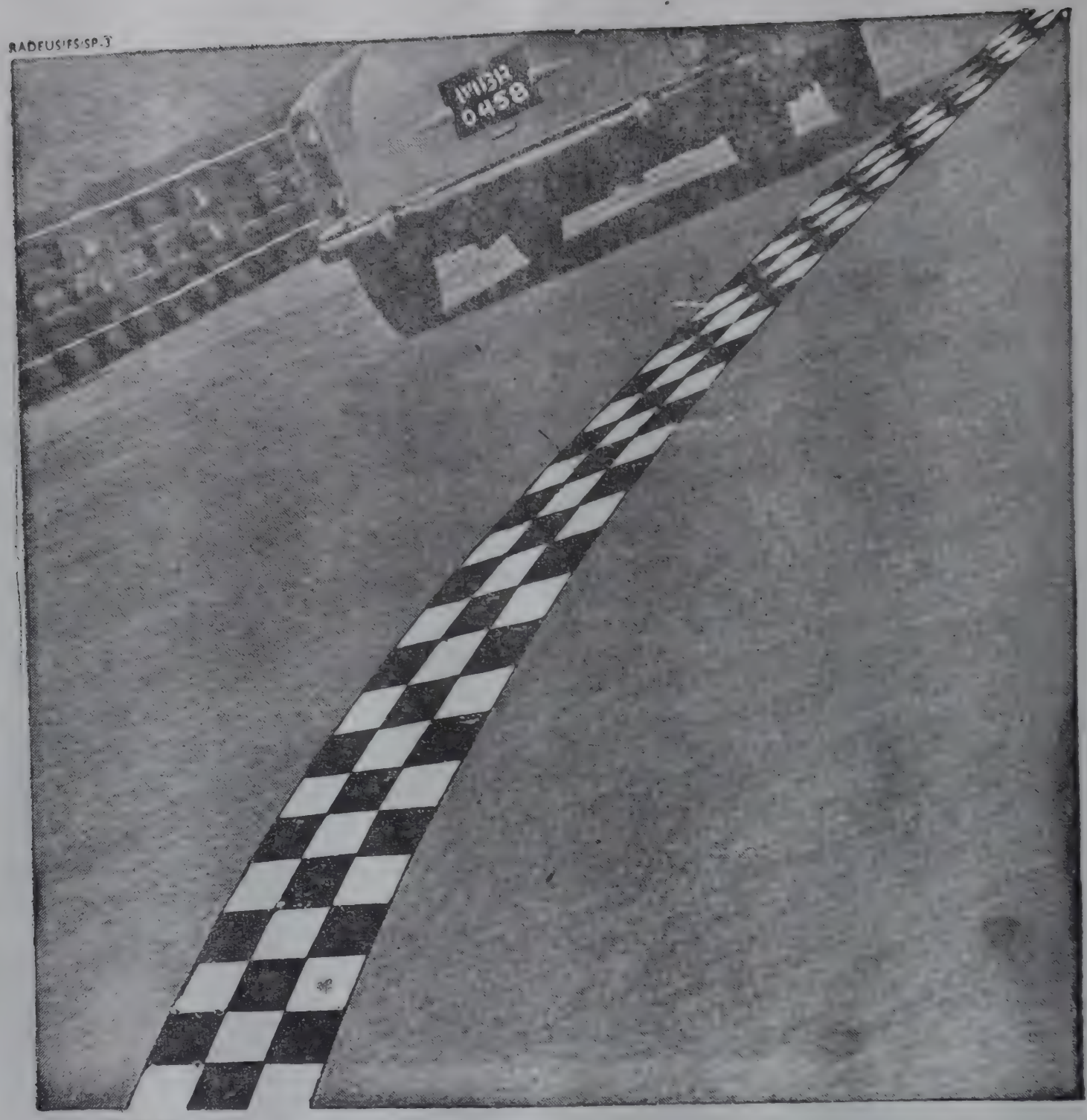
The high rates of taxation on diesel, trucks and tyres combine to thrust such a burden on road transport that at the prevailing rates of freight, their operations turn uneconomic. Once the road transport industry gets relief in taxation and is in a position to compete with the railways, the tyre industry will automatically look up.

The heavy burden of taxation—a penalty—on road transport was understandable in the days when the railways were inefficient and non-competitive. Now there is an obvious case for relief in taxation for road transport—not only in regard to excise on diesel but also on the trucks, the tyres, the octroi, etc.

Q. *Let's turn our attention*



Dunlop factory at Sahaganj, West Bengal, which is the largest rubber manufacturing enterprise in India.



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76 years' experience world-wide

the new units in the tyre dustry. Do you think there any justification in accord- them a preferential treat- nt in the matter of excise ty?

A. All the new units enter- this market with full aware- ss of the market situation. their capital cost was higher an that of the older units, is fact was known to them fore they embarked upon eir ventures. But they went to build their factories, d then pleaded financial fficulties in order to get an cise concession that will ve them a significant price vantage. In a highly compe- ive market a price differen- l of 9.75 per cent is a very werful marketing weapon. Also, the relief of 25 per nt in excise duty, which is ven to new units, operates fferently in the case of diffe- nt manufacturers. In the se of the scooter manu- cturers, the relief of 25 per nt may be on an excise duty 10 per cent (i.e. relief works t to 2.33 per cent on cost) hile in the case of tyre indus- y it would apply on an cise duty of 55 per cent (i.e. lief works out to 9.75 per nt on cost.)

Q. *You are for equal relief all new units; am I correct?*

A. Yes.

Q. *Let us turn our atten- on to the question of imulating demand which you entioned a short while ago. How could demand, in your ew, be stimulated? What out the car industry?*

A. The demand for tyres r the car industry is a very all fraction of the total mand for tyres in this coun- y. The tyre market is depen- nt largely on the truck indus- try. And the excise duty of 55 per cent on truck tyres is crippling. It needs to be reduced to 20—25 per cent if there is to be any revival in this market. If the excise duty is imposed keeping in view its essentiality, then 55 per cent is extremely high impost which equates it to a luxury which it is not.

Q. *But the tyre industry did not ask for a reduction in the excise duty during the years when there was acute shortage of tyres—why?*

A. At that time there was a price control on tyres. And, the prices of tyres were not as high as they are today. At that time, the road transport industry was booming, and the operators could afford to pay the excise duty and operate at a profit. They can no longer do so.

Q. *In the period of acute shortage when price control was promulgated, you fought for an adequate price. Now you are asking the government to reduce the excise duty because you think the demand for tyres is price elastic. But do you think it will help in boosting demand at a time when supply of tyres far exceeds demand?*

A. While we asked for an adequate price increase, we did not anticipate that the excise duty will be kept at that high level of 55 per cent. Unfortunately, for the road transport industry, the boom ended in 1974 making it further difficult for them to afford this high price of tyres. The installed capacity for tyres is far more than the size of the market today. While the producers have a capacity to manufacture seven million tyres, the market is around 4.4 million. (Scooter and motor cycle tyres are not included in this estimate.)

Q. *What about the export market for tyres?*

A. The manufacturers are undertaking export of tyres to reduce the pressure of glut in the domestic market. In 1975 the industry exported around 150,000 tyres, and the 1976 export has gone up to 350,000 tyres. The year 1977 promises even better export performance, but exports alone cannot bridge this gap, nor are exports profitable to the tyre companies. Even after taking all the incen-

Goodyear Exports

With 1977 first quarter export sales crossing the rupees one-crore-mark, Goodyear India has staged a major breakthrough in the export market. Concentrating on export of 'giant' tyres, Goodyear truck, tractor and earthmover tyres have found market acceptance, both within and outside the sub-continent, particularly in Africa and East European countries.

Goodyear India was the first to export tractor tyres to Pakistan, by land route. after trade was resumed between the two countries. Its truck tyre export to Uganda, again scored a first. Another high mark was winning large earthmover tyre orders for East European countries.

According to Mr N.F. Cope, Managing Director, these orders were obtained against stiff international competition. Besides, tight delivery schedules, quality requirements were paramount. He is happy that Indian tyres measured up to the stringent standards laid down.

Mr Cope disclosed that Goodyear India had to develop special compounds, within the stipulated delivery schedule for manufacturing tyres suited to the particular terrain and climate. Aided by our association with world's largest tyre company, Goodyear India tyres measured up to international quality standards, he added.

Talking about the recessionary conditions prevalent in the tyre industry today, Mr Cope said, that the total export of tyres, although significant and going up each year, is unlikely to absorb the excess manufacturing capacity in the tyre industry.

tives into account, the export of tyres is being made at a loss. But, it helps in keeping the workers in their jobs; otherwise they may have to be laid-off.

The exporters are competing with such countries as South Korea where the tyre plants have been set up for export purposes only. In the years 1974 and 1975, when there was a world-wide recession, the competition was real hard. There was some recovery in 1976 but the tyre exporters have been working real hard—they have scratched the flesh and are now planning to reach up to the bones.

Q. *How do you compare the Indian tyre market with other similar markets in the world?*

A. The Indian tyre market is unique.

Q. *Unique in what way?*

A. The tyre market has developed in this country in a way which is exclusively Indian. Here, the product mix and the distribution pattern is entirely different. The market is largely truck tyre oriented; most operators are single truck owners, as opposed to large fleet ownership one comes across in the overseas market. Distribution-wise, there is a large number of small dealers operating at a very nominal profit. In the period of shortages, all of them were able to live on this trade. Now their number has dwindled, but the main distributors are able to rationalise their operations.

Q. *What is your assessment about the future of this industry?*

A. The concession to the new units will expire in 1979. The old tyre units will no doubt suffer. The financial results of some of these units have already shown declining trends. The future does not hold any prospect of immediate recovery.

Q. *Will new units come up besides those which have already come up?*

A. The Planning Commission estimated that the demand for tyres in 1980 will be around 11 million. If all the units which have been licensed or given letters of intent, the capacity will rise to that level though it is not sure if it could be raised to that. Some estimates indicate demand may range between seven and eight million (1980) but much depends the way the economy go the next three to four ye

An unhealthy develo in this country is the c of every state to have tyre plant. Small-sized run by small companies generate efficient workin instance, in the USA the size of the tyre ma many times that of Ind number of companies h this product is less t number of Indian com Obviously a policy of small companies do result in economies of s

WITH THE BEST COMPLIMENTS

FROM

MRF

MADRAS RUBBER FACTORY LTD.

Makers of MRF - MANSFIELD TYRES

Wanted : A national policy for road transport industry

C. R. Natarajan

ITHIN A short span of less in 12 months the tyre industry s witnessed a radical change. hat was a sellers' market has come a buyers' market. This ndition is not due to over-oduction but because of a dden, steep fall in demand r tyres. The demand for res is directly linked with the alth and profitable operation the road transport industry. he removal of the ills that fflict the road transport in-ustry should be the primary sk.

Varied Forms

India is the only country vhere, travelling across the ength and breadth of this vast and, one experiences transpor-ation in different forms, per-aps the most feudal ones. One uman being may be car-ied by another human being, vhether on shoulders or in a convenient contraption while nother may enjoy the comfort of the modern jet aircraft. One may travel in bullock art, horse back, bicycle, cycle ickshaw, the public transport —train and buses, or the auto-mobile. The people of this country live in different ages in the same time-frame and the transport system re-estab-lishes that India absorbs and moves forward without cutting its moorings. The different modes of transport are comple-mentary to each other and are not conflicting; however as the nation progresses the human or the living element in the mode of transport must give way to machine.

This is no revolution but only an evolution and is evident from the fact that in the past few years the rickshawpullers are gradually replaced by the cycle rickshawwallas, the palanquins of yore have given way to the embellished bullock cart or the horse-drawn carriage. In some of the cities we still have the horse-drawn carriage ambling side by side with automobiles, but these are more used by those who want to have the satisfaction of slow travel to absorb the sights of a city and perhaps have an emotional satisfaction provided by the novelty!

The operational efficiency and profitability is in no small measure contributed by maximum utilisation of the machine and this principle is very much in evidence in the operation of the Indian Airlines. It is with this object in view, namely to keep the wheels moving, the railways are modernising tracks, increasing the speed of trains and reducing the turn-about time. The increased fleet utilisation of the passenger bus transport systems is given top priority by the administrators in this sector. The government is, therefore, fully aware of this and appreciates this aspect; yet it is difficult to answer why the goods transport system is subjected to bottlenecks reducing fleet utilisation to extremely low and unprofitable levels by having octroi/sales tax check posts, not to mention other on-the-spot checks on the highways and elsewhere. Even at the international borders one does not find as many trucks parked for as clearance at the customs check-posts.

Mr C.R. Natarajan is the Vice-President (Marketing) of Apollo Tyres Ltd.

Curbs on Movement

The restriction on free movement of trucks, the harassment to which the transport operators are subjected and the consequent reduced utilisation of the fleet is a waste to the national exchequer. The lower profitability of the transport operator reduces the flow of capital into this sector and the high cost of collection of octroi leaves only a small percentage to the exchequer. The levy of octroi is an anachronism in this century, the very concept of octroi being medieval applicable only to city states. Over all these years there has been a continuous increase in the octroi levy—why this increase? Primarily because with the levy of octroi, the business operations move outside the octroi limits and to compensate for the drop in collection, the percentage of octroi is increased. The cycle repeats itself.

As for sales tax, what originally started off as a very small percentage has now reached the level of the personal income-tax in the middle level salary scale in some countries. The rate of sales tax varies from state to state. The auxiliary levies such as the turn-over tax, surtax etc. were all added fro year to year. The Constitutio of India says that India is o and indivisible and it is ve difficult to accept why diffe ent states should have such a variation in the levy sales tax on the same com modity. Enough time has bee spent, representations have bee made, recommendations b sub-committees have been fo mulated over the last few yea on octroi and sales tax but fo some unknown reason instea of any relief there is a cont nuous increase in the burde It is high time that an actio cell is organised in the ministr of Transport to study thes problems and give relief t operators. The removal o sales tax checkposts and octro nakas would eliminate perhap the one single major bottle neck throttling the road trans port industry.

Level of Taxation

The increasing level of taxation to which the road transport industry has been subjected over the years, be it goods transport or passenger transport, does not have to be substantiated by quoting statistics. The sickness of the industry has been largely due to the small doses of this poison without respite.

Even the most ardent advocate will find it difficult to present a convincing case in favour of the preferential treatment given to the railways vis-a-vis the road transport industry during the last few years. Lucrative areas of long distance

Our performance betters our promise
In the period stipulated by the Government of India, Ceat have not just met, but exceeded their export target of Rs. 4.35 crores. Thanks to the recognition of our quality in the world market we have fulfilled what we consider a moral and social obligation to our country.
Our achievement can be attributed to our continuous efforts to increase productivity and generate economic progress in the country today.
Working towards a national objective has been the prime factor in establishing our corporate identity as a major contributor to the nation's economy. We would rather perform, than promise.
CEAT
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CEAT
CEAT TYRES OF INDIA LTD.

ansport such as foodgrains nd coal freights have been clusively reserved for the ilways. There cannot be any bjection from any sector and fact one would welcome the troduction of high speed argo movement by the railways specially for such perishables s fruits but it is unfair to nake the competition unequal y levying extra charges for novement of such goods by oad. In a country as vast s India, the railways have a lefinite role to play as much s the airlines and the animal-lrawn vehicles in the farms, out why not have a co-ordinat-ed development plan for each sector giving full opportunity o its own genius and adapt-ability? This is a million dol-ar question that begs for an answer.

Negative Influence

There is one aspect which may perhaps be used to explain that there is no impar-tiality viz. the public sector passenger road transport under-takings also suffer from the same malady of high taxation. We, as a nation, are interested in growth not in gradual dege-neration. Almost every state transport undertaking has reached a stage where its growth and even the maintena-nce of the status quo of its fleet strength is stifled by the high level of taxation. The public service and social obli-gations are reasons of the least relevance; instead of contribut-ing to growth, they have a negative influence. Social obligations and public service can only have relevance to the extent of betterment, which is possible only if there is growth.

The burden of taxation in different forms, the motor vehicle tax, the permit tax etc. etc. has forced the road trans-port industry, be it passenger transport in the public sector or goods transport in the pri-vate sector, to cut down or postpone indefinitely the re-placement of old vehicles. The reduced efficiency of operation by running old vehicles has increased the cost of operation. The old vehicle on the road results in break-down and high consumption of fuel—a luxury we can ill afford.

Employment Potential

Road transport is vital for a country such as India. The employment opportunity gene-rated by road transport has been estimated between six and eight times more than the railways. The flexibility of road transport, not only in terms of the kind of goods car-ried but also in terms of viabi-lity to reach even the remote corners of this country, is an asset which, if properly utilis-ed, would contribute to integ-ration in no small measure. Automobiles may be produced by the large industrial estab-lishments but the small-scale ancillary industries that are dependent on the automobile industry are myriad. While the railways have the pride of place providing the basic struc-ture for mass transportation, the road transport industry forms the flexible sinews and muscles of the industry.

Time and again one comes across statements that increas-ed efficiency of railways during the emergency, lesser utilisa-tion of road transport because of anti-smuggling drive etc. have contributed to the reces-sion in the road transport industry. Such statements only tend to create the impres-sion that the road transport industry was not thriving on its-own efficiency but was suc-cessful because of the ineffi-ciency of the railways and its high profitability was due to the smuggling activities. In my opinion, these two areas are unnecessarily exaggerated.

The efficiency of the road transport system is patent; otherwise with the high cost of operation due to rising fuel prices, the increase in cost of the vehicles and taxation, the industry would not have sur-vived even when the efficiency of the railways was low. Smug-gling does not necessarily relat to the goods imported unoff-cially into India through th customs barriers and move from one place to another; i also means inter-state transpor of prohibited goods and in this respect every form of trans-port has been used and to single out the goods trans-port industry as having faced all the crisis because of elimina-tion of smuggling is extremely unfair.

There is no denying the fact that the efficiency of the rail-ways did improve during the

CEAT : Rising Production and Exports

Ceat Tyres of India's output has crossed for the first time the million-mark, with the actual output of 1.013 million numbers in 1976. The production in tonnage has also been the highest reaching nearly 3,000 tonnes. The exports have reached an all-time peak at Rs 4.7 crores against Rs 1.47 crores f.o.b. in the previous year.

Ceat has increased its production by 31 per cent over 1975, despite constraints on the use of power. According to the management, the factory worked to its full capacity by judicious planning and adjustment in its operations. The company succeeded in selling its entire production in the face of recessionary trends in the tyre industry.

The tyre industry had undertaken to export goods worth Rs 25.30 crores f.o.b. during the year ended September 30, 1976. Ceat was the only member of this industry which could not only meet but exceed the quota fixed at Rs 4.35 crores f.o.b.

Ceat has obtained an industrial licence for the manufacture of 160,000 automotive tyres and tubes per annum at its Bhandup (Bombay) plant. In addition to the export obligation, which was imposed at the time of the previous industrial licence, it will be required, as a condition to this industrial licence, to export 10 per cent of its total production after the expansion has been completed. The expanded capa-city is likely to go into production in the second half of 1978.

The management is facing the difficult problem of high prices of raw materials and increased interest payments which cannot be offset by raising the prices of its products due to market conditions. Another major factor, which contributes to lower margins, is the large volume of exports which the company has to undertake as part of its commitment to the govern-ment. Exports have continued to be uneconomical, despite the incentives offered by the government due to the keen competition offered by the giant interna-tional tyre manufacturers.

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All Outperformers, none outpriced.

Rajdhani: Designed for high speeds on good roads. Deep tread design ensures maximum original mileage. Specially angled tread grooves avoid stone trapping. Extra reinforced shoulder buttresses provide for wide flat road contact for even load distribution. Special shoulder grooves ensure heat dissipation, prevent heat buildup and prolong tyre life. Offers more retreads.

Sardar: Unique Premium Cross Lug Nylon drive wheel tyre suitable for high speed operations. Special design offers cooler running and non-skid properties. Wider, flatter tread puts more rubber on the road for greater stability, greater mileage. The nylon casing of unusual strength offers good resistance to heat blowouts and ensures more retreads.

Balwant: Rugged premium tyre for all types of surfaces. Reinforced casing defies impact breaks and ensures many retreads.

Bahadur—coming soon! Steel belted radial, India's first. An all-wheel tyre for high speed operation. Gives you twice the mileage of conventional tyres.

Apollo's technology: equal to the finest in the world! Apollo's technical collaborator General Tire International Co., USA, have supplied equipment and know-how regarded by experts as being among the finest in the world. The plant features fully-automated machinery that reduces the chance of human error to practically nil.

Tape controlled tyre building machine: Automatically assembles and compresses tyre components like rubberised plies, breakers, chafers, steel wire beads, treads and sidewalls. The tape controlled mechanism ensures uniform distribution of components and helps produce a dynamically balanced tyre. Conventional methods rely heavily on operator-efficiency.

X-rayed to perfection: A Pickers X-ray unit examines each tyre during and after manufacture. Its fool-proof vigilance make sure no faults ever creep into an Apollo tyre—your final guarantee and proof of the special care we take to give you tyres you can trust.

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riod of the emergency but e road transport industry is not thriving only on the efficiency of the railways. ke many industries in this untry the road transport dustry was also not geared to eet the sudden changes in the imate of operations such as gh cost of fuel, killing incience of taxation, the low utisation of vehicles because of ie checkposts, the consequent harassment and above ll the lack of reserve resources. If the public sector state-wned passenger transport system is finding it difficult to operate profitably because of these factors, how can the small-scale operators who form over 80 per cent of the goods vehicle owners be expected to have the requisite finances?

One is sorely tempted to present the various statistical data to drive home the point but this will only be an exercise in futility since such statistics have been studied and accepted. What is required is action, formulation of a national policy where every form of transport must be given its due place in our national economy, the opportunity to complement each other, to compete where such competition will improve efficiency and to achieve an integration which will have long-term benefits.

Assuming that all fetters are removed the road transport industry cannot afford to rest on its oars; it must have very clear objectives and a few of them can easily be spelt out. The first priority must be to improve the efficiency of its operations through proper vehicle maintenance, restraint on loads (elimination of ove loading of the vehicles), a agreement to have profitabl freight rates without unhealth competition and a commo forum in different states wit an all-India apex body no only to represent the grievanc es but also to exercise the ne cessary discipline and control.

The road transport industr has a contribution to make i the nation's goal to achiev prosperity. It should be give an opportunity without rest raints to do its bit which wil be quite substantial.

Revitalise road transport

V. C. Viswanathan

THE JANATA government has et the aim of generating maxinum employment potential in he country with a view to otally eliminating unemployment within a period of ten ears. Encouraging road transport will give immediate and angible benefits, and coupled vith a massive road-building nd improvement programme, t should be possible to keep nillions of idle hands fruitfully mployed.

The need to revitalise road ransport is urgent. It is stimated that the movement of commercial goods by road lone keeps in employment over 1.6 million persons including 200,000 small-scale entrepreneurs most of whom are ingle lorry owners/operators.

Employment Potential

A recent study has revealed hat for the same quantum of nvestment, the road transport ndustry can give employment o 100 people against the railways 19, and small-scale industry 17.

During the past 20 months period, there has been an estimated 35 per cent drop in road freight movement affecting the livelihood of over half a million families.

The development of the rural economy is very much dependent on the distribution of agricultural produce and rural consumption goods. Road transport alone has the ability to bring the remote villages and the rural population into a national marketing and distribution network.

Mr V. C. Viswanathan is the Sales Manager of Madras Rubber Factory Limited.

To make road transport viable, it is imperative that the operating costs should be reduced. Fuel, tyres and spares constitute the major cost of operating a truck. Only a significant cost reduction in this area can make trucking business economically viable. The excise duty currently levied should be reduced as follows;

	From (per cent)	To
High speed diesel oil	67	35
Truck tyres	55	25
Automobile spare parts	20	10

The apparent loss in revenue by this reduction in excise duty will be more than made up by increased volume of road transport activity which will result in higher production and excise collection from allied industries such as the tyre industry.

It is also necessary that all impediments and restrictions on inter-state movement of goods should be removed. Over one-third of the total journey time of a transport carrier is wasted at the checkposts resulting in increased fuel cost apart from costly delays. Abolition of all octroi duties and checkposts would be a greater boon to the transport carrier as it would save him considerable time and money.

It is hoped the government would soon bring in a legislation to do away with the collection of sales tax, and replace it with a suitable alternative tax paid at source.

Roads are self-generating assets. The more money we invest in them, the more do they generate development in other sectors of the economy. This has been the experience of all countries. Not only is there a need to expand the existing road network but equally to improve the existing roads. It was estimated by the Keskar Committee in 1967 that the poor condition of our roads was causing a national loss of Rs 150 crores per annum. Today the loss would be around Rs 800 crores.

Thus from the point of view of employment generation as well as rural uplift, the road transport industry needs to be revitalised.

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The progress of industries in U.P. has been phenomenal. During the period 1965-76 :

The number of factories registered under the Indian Factories Act increased from 3,182 to 5,079.

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Industrial production went up by 301 per cent.

Implementation of Central Sector Projects increased from 6 to 16 involving an investment of Rs. 290 crores.

The number of implemented Industrial Licences swelled from 132 to 604 and investment thereon increased from Rs. 272 crores to Rs. 717 crores.

Nine Joint Sector Projects launched, 25 more are under implementation.

Exports rose from Rs. 28 crores to Rs. 60 crores.

33 industrial complexes with an investment of Rs. 1,100 crores are being set up.

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10 Spinning Mills—3 already in production.

21 Sugar Mills—3 already in production.

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Issued by :—

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Solid rubber tyres for bullock carts

OLID rubber tyre for bullock
s, developed by Firestone,
introduced recently.

The solid rubber tyre can be
ed on the wooden wheels of
bullock cart using a special
which has been developed
this purpose.

Firestone has also brought
t an all-steel wheel fitted
th the solid rubber tyre.

The new rubber-tyred steel
heels are easy to fit. All one
s to do is to remove the
ooden wheels, and slide the
w wheels on to the existing
le. No alterations are requir-
, nor are sophisticated work-
ops necessary.

Advantages

The solid rubber tyre has
any advantages over the
neumatic tyres now used on
me bullock carts operating on
ty roads. Unlike pneumatic
yres, the solid tyres are not
usceptible to punctures. Solid
yres permit the use of existing
heels and cart frame while
neumatic tyres involve re-
esigning the bullock cart and
sing a special axle.

The large wheels fitted with
he new solid tyres minimise
oad damage, and are more
uitable to kutcha village roads
nd tracks which are likely to
e flooded or overgrown with
vegetation.

Field trials have shown that
bullock carts fitted with rubber-
tyred steel wheels can carry 50
per cent more load. This means
at least a one-third increase in
the earnings of the bullock-cart
owner.

Alternatively, a two-bullock cart can be converted into a single-bullock cart—a big saving.

Drivers found that the rubber-tyred wheels reduced bullock fatigue. Jolts were fewer. If the wheels got caught in a rut, the bounce in the rubber-tyre would help to release it quickly. Formerly, the driver had to get down and put his shoulder to the wheel when it got stuck.

According to Firestone officials the rubber-tyred steel wheels cost less than the rubber-tyred wooden wheels. A pair of conventional wooden wheels cost around Rs 1,150. The cost of tyres and rims to be fitted on these wooden wheels works out to Rs 1,054—a total of Rs 2,204. Against this, two rubber-tyred steel wheels costs only Rs 1,824. A tyre is expected to last three to four years.

Wooden wheels vary in size from area to area and, sometimes, even on the same cart. Also, good quality timber for making wooden wheels is becoming scarce. Standard-size steel wheels are, therefore, regarded as a better proposition. The design is so simple that they can be fabricated even by a village blacksmith.

The wear and tear on roads will be less if bullock carts are fitted with these rubber-tyred wheels.

The use of rubber tyres on bullock carts will create additional demand for natural rubber, a surplus of which is causing concern. Hence, the extra demand for natural rubber would be welcomed by rubber planters. Firestone officials have also hinted at export possibilities.

The design for the new solid rubber tyre and rim, and for the all-steel wheels, was developed in India by Indian technologists, drawing on a rim technology made available to them by The Firestone Tire & Rubber Co of USA. Firestone men said they were proud to have come up with "appropriate technology" of practical value to people in rural areas.

A new steel wheel.

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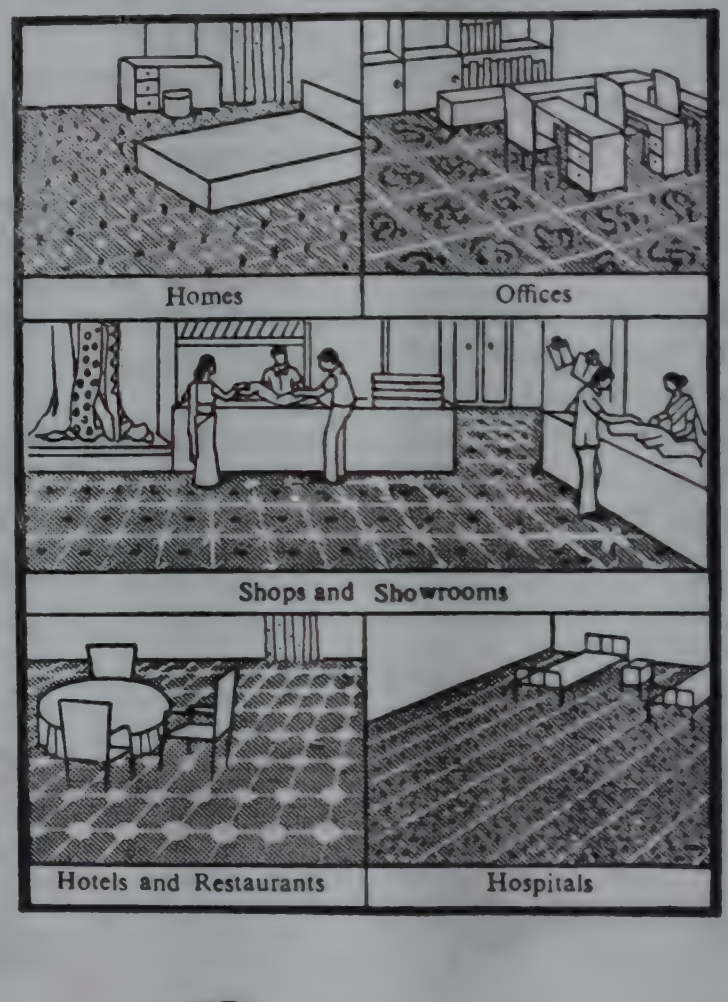

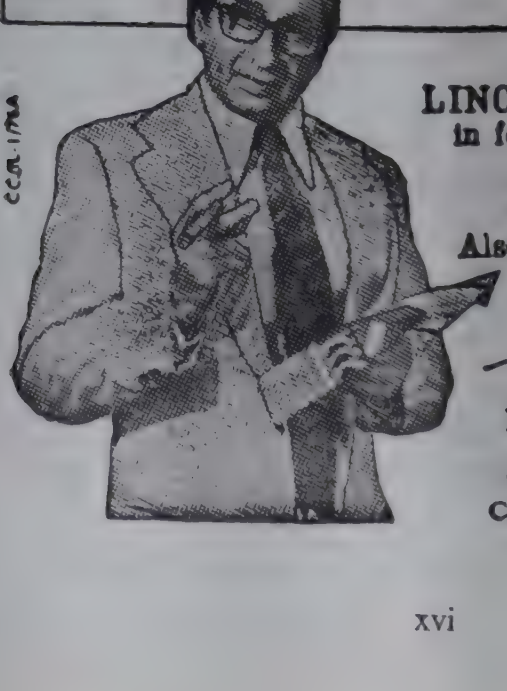

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ne acting president's

ment is described as "cervical spondy-s". *The Indian Express* has thought-ly explained that this "disease affects upper portions of the spine". Mr tti ought to be grateful. People now ve physical proof that he has a spine. oes this improve his chances of being next elected president? I confess I nnot even hazard a guess. Spines are t readily saleable merchandise in poli-s. Going by the record, they are also t to be out of place in Rashtrapati navan. Mr Jatti, I suppose, is not altoge-er happy that, thanks to Mr Charan ngh, his spine is to be tested so early the game. Come to think of it, the ting president's illness may be psychoso-atic.

Presidents (barring, always, Big Daddy li Amin) and prime ministers (barring, r the present, Mr Morarji Desai, who as been in office only for about a month) e a harried crowd these days. Look at Ir Bhutto. The man is so demoralised at he has started worrying about his ace in history. Not without reason, owever. History, as we all know, has mewhere in its backyard a whole row dustbins. Mr Bhutto, nevertheless, ay at least be proud of the quality of e people who may soon be consigning m to one of them. These "ordinary" men nd women of Pakistan refuse to recognise s divine right to rule and are fighting out on the streets. These valiant people ave not let themselves be cowed down y all the resources of state power which ey have been confronted with. Their nbattled response to rule by force or aud is in refreshing contrast to the fear-l or bemused acceptance of tyranny by e mass of the people of this country in e wake of the emergency.

At this point I am tempted to speculate n what might have happened had Mrs Gandhi chosen to attempt to rig the election in favour of her party and succeeded in the attempt. Would our people have risen in revolt as the people across the border have done? I doubt it and I feel humble, indeed, in contemplation of the fury which large numbers of people from almost every walk of life have unleashed against the Bhutto regime. I wonder whether Mr George Fernandes has this sense of humility. He probably, hasn't. It will be quite in character if he were to feel that such pitiful attempts as he might have made at violent revolution were of immense significance to the course of recent political history.

To go back to the

people's revolt in Pakistan, I notice that, whereas Mr Bhutto has choked off the domestic press, he has exempted correspondents representing foreign news agencies or newspapers from pre-censorship. This may explain at least partly the generally sympathetic notice his troubles are receiving in press reports or comments appearing in the United States, Britain or elsewhere. By the same token, at least some of the harsh treatment which Mrs Gandhi's emergency regime received in the western newspapers or periodicals might have been due to its ham-fisted handling of the foreign news media. At this distance in time, thoughts of Mr V.C. Shukla's foolishness amuse me more than his gangsterism had ever infuriated me. He did not have the wit to realise that a little tact on his part might have made a lot of difference to the way some at least of the foreign press looked at the emergency and its works. *The Economist* (London), for instance, was arguing throughout the Vietnam war that Mr Nixon was the best American president the Vietnamese could have and, all through Watergate, that Mr Nixon was the best president the Americans could have. Currently, it is still trying to sell Mr Bhutto to the people of Pakistan as no second-hand car salesman has ever put himself out to turn some old jalopy into cash. There surely was some way of persuading *The Economist* to advise the Indians that Mrs Gandhi, most probably, knew best what was good for them. Mr Shukla, evidently, did not have a clue.

The capital's newspapers are returning to normal. People who had changed over from *The Times of India* to *The Statesman*, thanks to Mr Shukla, seem to be returning to their old allegiance because of the former's superior news coverage. Similarly, those who had shifted their custom from *The Hindustan Times* to *The Indian Express* no longer see any reason for putting up with their loss of status. Among other signs of restored normalcy is the revival of the "Editor's Notebook" in *The Indian Express*. Ever the Cerberus of the public interst, S.M. has warned the nation of the threat from MISA detenus banding together to win recognition and rewards for their services to the country. He also worries over people falsely claiming to have gone underground during the emergency. I submit that he is unduly suspicious. After all going underground is not so difficult. Many journalists did it during the emergency, simply by not writing until it was safe to write again. By the way, who is S.M.'s "cynical friend"? The same as that "little bird" from the Compleat Journalist's book of mythical fauna?

People's consciences are

suddenly becoming tender to a degree which no *tundoor* has yet been able to achieve with the primest of freshly-killed chicken. Dr L.M. Singhvi has "resigned as the advocate-general of Rajasthan owing to reported differences with the state government on the issue of the dissolution of the state assembly". Reporting this historic event, *Samachar* notes that Dr Singhvi had held this office for the last five years. No comment is necessary, but to complete the record, it may be added that, during the greater part of those five years, the advocate-general of Rajasthan was in residence in New Delhi and not Jaipur.

VB

MOVING FINGER

CAPITAL'S CORRIDORS

R. C. Ummat

Rabi procurement problems • Soviet collaboration in steel • BHEL's performance

EVEN THOUGH no target has been fixed for the procurement of rabi grains during the current marketing season, the union government is anxious that all the grain offered for procurement at the stipulated prices of Rs 110 per quintal for fair average quality wheat, Rs 65 per quintal for barley and Rs 95 per quental for gram should be picked up by governmental agencies without harassment to the farming community.

watch dog committees

In pursuance of this objective, the minister for Agriculture and Irrigation, Mr Parkash Singh Badal, has addressed a personal letter to the state chief ministers stressing the need for reviewing procurement arrangements so as to ensure their adequacy. The state chief ministers have been requested to examine the possibilities of setting up small committees at the state level to keep a close watch over weekly/fortnightly procurement so that the procurement machinery can be strengthened, if necessary. The setting up of similar committees at the district level with non-official participation has also been suggested. It has been further recommended that the district magistrates may be made responsible for keeping a watch over the situation in cousultation with the district managers of the Food Corporation of India. Mr Badal as well visited during the last few days some mandis in Punjab, which supply nearly 50 per cent stocks of wheat to the central pool, to study the arrangements made for procurement.

The minister for Agriculture and Irrigation is understood to have been obliged to address the above communication to the state chief ministers following disconcerting reports about a possible confrontation between the central government, formed recently by the Janata party, and the major wheat-producing states where the Congress ministries are in power. Presumably sulking under the crushing defeat which the Congress suffered during the last Lok Sabha election, some state governments said to be dragging their feet in organising efficient procurement operations. In one case, inadequacy of funds is being trotted out as an excuse for not fully energising the state government machinery for this purpose. The result has been that at some centres in this state, the farmers have had to part with their produce to traders at prices much below the procurement prices.

wooing the electorate

It is interesting to note that while, on the one hand, the state government concerned is reported to be pleading inadequacy of funds for organising procurement operations, on the other hand, it has announced only recently wide-ranging concessions. This was done, presumably, with a view to wooing the electorate in the state legislature poll likely to be held in early June, following the advice tendered by the union Home minister, Mr Charan Singh, to the chief ministers of the nine northern states where the Congress was routed in the Lok Sabha poll that they should advice the governors to dissolve assemblies in order to provide the people an apportunity to elect new representative governments.

Instances of foodgrain prices piercing the support levels, of course, were not found wanting last year also. But the primary reason for that was that the produce offered was not of the requisite quality and the prices had to be discounted correspondingly. The high moisture content in the recent wheat offerings is understood to have been made an excuse for reduction in the price paid by the procurement agencies of some state governments; some farmers are reported to have been obliged to part with their produce at as low a price as Rs 100 per quintal, after the procurement agencies rejected their offerings. In some cases, these very offerings are reported to have been accepted when made by the traders.

mistaken belief

The above attempts possibly are being made to thwart procurement operations in order to embarass the central government in the mistaken belief that the blame can always be put on the centre. But, surely, the farming community will be able to see through the game; it has abundantly shown its shrewdness during the Lok Sabha election. It is high time that the state governments realised their responsibility and refrained from injecting policies into food matters against which the Congress itself had been so vociferous.

Perhaps, the centre ultimately will have to ask the Food Corporation of India to extend its network of procurement centres.

Incidentaly, Mr Badal has also appealed to farmers that since the procurement prices have been fixed for fairly average quality grains, they should take care of cleaning and drying their produce properly before offering for procurement so that it is not subjected to price cuts due to below average quality.

* *

Notwithstanding the declaration of the central government that it continues to favour economic cooperation and collaboration with the Soviet Union, the decision to complete the second stage of Bokaro steelworks, which envisages the expansion of this plant from 2.5 million tonnes to four million tonnes ingots capacity, is being interpreted in some circles as an evidence of cooling off of relations with the Soviet Union. The Bokaro steelworks

as recently been completed to produce .7 million tonnes ingot steel and is being urrently expanded to 2.5 million tonnes apacity in terms of the decision taken bout three years ago to reach this level f capacity on a continuous basis instead f having the first stage to produce 1.7 million tonnes ingots and 0.8 million onnes pig iron and then proceeding with the expansion to four million tonnes capacity.

The decision to go on our own to expand the Bokaro steelworks to four million tonnes capacity, however, seems to have its genesis in the paucity of funds to go ahead with long gestation industrial projects without resort to deficit financing and inflationary fiscal policies and also to some extent in the very comfortable steel supply position as a result of which nearly 2.43 million tonnes saleable steel was exported last year.

towards self-reliance

Feeling, it is understood, is growing that some delay in the expansion of Bokaro to four million tonnes stage that would be caused by dependence wholly on indigenous sources of equipment supplies would not matter much in so far as the overall availability of steel is concerned. Another advantage would be the attainment of complete self-reliance in setting up steel plants. This, it is thought, would improve the prospects of exporting steel technology as well as equipment to the neighbouring developing countries, a significant achievement in which respect has been the recent securing by the Metallurgical and Engineering Consultants (MECON), a subsidiary of the Steel Authority of India (SAIL), of two consultancy contracts from Nigeria and Liberia for planning the construction of integrated steelworks there.

The expansion of Bokaro to four million tonnes envisages primarily the setting up of a rolling mill complex and some ancillary facilities at a cost of approximately Rs 400 crores, which, it is felt, can be competently manufactured indigenously through the availability of technical know-how with MECON and of manufacturing capacity with the Heavy Engineering Corporation and other industrial complexes. In fact, the Soviet Union is stated to have been consulted in this regard.

So far as the expansion of Bhilai from 2.5 million tonnes to four million tonnes is concerned, no change in programme is envisaged; according to the Steel and Mines ministry sources, this expansion programme is proceeding according to schedule with Soviet collaboration.

The expansion of Bhilai is envisaged to be completed by 1981-82. It is felt that the Bokaro plant would also be expanded to four million tonnes capacity through our own efforts by that year with the exception of one blast furnace which may be commissioned in 1983-84. Earlier, the Bokaro project was expected to reach the four million tonnes capacity by the close of the current decade.

As a result of the decision to go on our own in regard to Bokaro expansion, the programmes of setting up two new steel plants at Vijayanagaram and Visakhapatnam may have to be delayed somewhat for these two plants also are to be set up completely on our own.

* *

The Bharat Heavy Electricals Limited (BHEL) is understood to have again turned in during the year just gone by an impressive performance. It is likely to yield a pre-tax profit of Rs 58 crores during this year, as against Rs 55 crores during 1975-76.

The total turnover of the corporation in 1976-77 amounted to about Rs 432 crores, as against approximately Rs 415 crores in the previous year. The BHEL equipment commissioned for power generation during 1976-77 was of the order of 1,500 MW—slightly more than the equipment commissioned in the previous year, even though 3,435 MW equipment was made available for installation.

The target of turnover for the current financial year is expected to be put around Rs 550 crores and that of profit before tax around Rs 60 crores. The target for commissioning of equipment is likely to be fixed at 3,000 MW. The undertaking is geared to produce equipment to generate up to 5,000 MW power.

The export performance of the undertaking during 1976-77 also has been equally impressive—over Rs 75 crores against less than half this amount in 1975-76. Exports to the extent of 20 per cent of the turnover are envisaged to be made a regular feature.

Eastern Economist 30 Years Ago

May 2, 1947

Speaking to newspaper representatives, during his recent visit to Bombay, the Food Member summed up the food situation as somewhat easier though not free from anxiety. He revealed that the food deficit this year would be between three to four million tons. The rice crop, the Food Member said, was fairly normal in the principal rice-growing areas but it was below normal in the Central Provinces, the Punjab and Sind. The wheat crop was fairly normal in the Punjab and Sind but it was affected in other provinces while the jowar crop was also not satisfactory. Addressing the two-day Food Conference of officials last week, Mr Vishnu Sahay, Director-General of Food, revealed that the rice crop is better by nearly 1,000,000 tons as compared with last year, the jowar crop is the same, the gram crop is a fair sized one but wheat crop is below expectations as the damage due to rust in some parts of the country has been greater than anticipated a month ago. It would be noticed that there is a slight discrepancy in the two statements in regard to jowar. But, on the whole the Food Member's estimate of the probable deficit at 3 to 4 million tons seem to be correct. In these circumstance it was but natural that the Food Official's Conference should have come to the unpalatable conclusion tha tthe prospects of an increase either in the austerity rations of 12 ozs. a day or in the wheat quantum of the overall wheat ration in the deficit areas are rather unfavourable.

Satyameva Jayate—but what next ?

N. A. Palkhivala

This is the gist of a talk delivered by Mr N.A. Palkhivala on April 13, in Bombay, under the joint auspices of the progressive group and several other public organisations. Outlining "The Tasks Before a Free People", he suggests that there is more to the recent general election than the change in the fortunes of political parties.

IN THE history of freedom the Indian election last month was of unparalleled significance. Its result doubled the number of free poeple throughout the world. In the words of Barnard Levin, India voted in a manner which put ancient and sophisticated democracies to shame. There could be no greater vindication of our national motto—Truth shall prevail.

Many educated people had despaired of the chances of our people, two-thirds of whom are illiterate, voting for the free way of life. This fact only proves the "educated incapacity" of the intelligentsia and the "illiterate intelligence" of the masses.

We are living through the epochal demonstration—watched by the whole civilized world—that liberty is not an optional extra in a democracy, that human rights are not a luxury intended merely for the elite and the affluent, and that our people, poor and profaned, are as intensely committed to the free way of life as the richest under the sun.

dawn of a new era

There is more to the election results than merely the change in party fortunes and the restoration of freedom. India is in transition from the feudal age to the modern age. The values of feudalism—birth, wealth, position and power—have been drastically eroded and the age of the common man has begun. This is the golden moment to transform our caste-ridden society into a modern society.

The first task is to have leadership at all levels—from the prime minister's to the panchayat's. True leadership is the exact opposite of the concentration of all power and decision-making authority in one individual. To be a true leader is to unleash the full power of the organisation and to release the potential and energy in the rank and file by means of personal impact. Given selfless and dedicated leadership at this juncture, the objective, in the Janata party manifesto, of removing destitution within ten years can be achieved. We have to motivate the people so that they put the national interest above the sectional interest. It would be a tragedy if having regained our freedom, we do not use it wisely and well and allow democracy to degenerate into mobocracy.

The crying need of the hour is self-discipline and self-restraint. During the post-war period, trade unions in Germany

POINT OF VIEW

voluntarily applied a wage-freeze on themselves, on condition that industry ploughed back its profits to increase the output and create further employment. The conseqence of this self-imposed wage-freeze was more and more investment, resulting in more and more employment. Real wages per person were steady during this recovery period, but real wages per family increased because of more employment. In a country where all the groups function harmoniously, the results are fantastically gratifying—totally out of proportion to the inputs. Germany and Japan are examples of the synergistic effect of such harmonious cooperation. Great Britain and Italy serve as warnings of the consequences of its absence.

At the centre we must establish Government of India Limited—limited not in responsibility, but limited in its power to impose authoritarian restrictions and prohibitions on the people and in its capacity to release an unending torrent of ill-digested laws on the people. The last government treated the Constitution of India as its private property and dealt with Indian law as its personal backyard. Between 1971 and 1976 it made 19 amendments to the Constitution, passed 463 statutes, promulgated 96 ordinances and 30 regulations, and enacted 114 President's acts for the states under Presidential Rule. For good measure, the Law ministry drafted 36,515 rules, orders and notifications.

Poverty is cruel but it is curable; the only known cure is economic pragmatism instead of ideology. In a poor country like India there can never be social justice without economic growth.

abundant resources

Out of our population of 620 million, more than 250 million are contributors to the national product. The only way to banish poverty would be to put to the maximum productive use the 2,000 million manhours which fleet over India everyday, never to come again. Irrigation has been sadly neglected during the last thirty years. On an average, India receives 3,000 million acrefoot rainfall in a year,—sufficient to submerge the entire country in a 45 feet deep layer of water. The total area under cultivation was about 422 million acres in 1975-76. Of this area, only about 111 million acres (or 26.3 percent) was provided with irrigational facilities. At the rate of extension of iirrgational facilities achieved in the last fifteen years, we shall not be able to bring even half the arable area under irrigation till 2007 A.D.

Three-fourths of the total flow of our rivers is wastefully emptied into the seas. Out of our groundwater resources of an estimated potential of 86 million acres, barely half is being utilised. How much greater would be our agricultural output with a reduction in prices on account of economies of scale, if irrigation plans were vigorously pursued.

In the fifth Plan only 0.83 per cent of total public sector outlay is earmarked for roads, and even out of this paltry percentage three-fourths is intended to cover those road projects which have spilled over from the fourth Plan. Few countries

of the world are so poor in market roads. Road construction is one of the best ways to generate employment and to stimulate agricultural output by opening up enormous new markets.

As regards industry, those laws should be scrapped which obstruct progress and constrict growth without any ceuntervailing public benefit.

While the burden of direct taxation has been brought to a reasonable level, the burden of indirect taxes is ridiculously high on many commodities. Out of the price paid for a truck by a consumer as much as 57 per cent represents the burden of various indirect taxes levied at different stages. The excise on airconditioners is at the unconscionable level of 100 per cent *ad valorem* on the wholesale price. The excise on cement is as much as 50 per cent of the retention price allowed to the manufacturer. The Finance minister has a great nation-building task ahead of him.

Fertilizer pricing: needed a second look

R. C. Ummat

According to the author, there is a persistent demand from the agrigultural community to bring down the prices of farm inputs including fertilizers. But the new units, threaten to become sick even before they take off owing to the escalation in the capital costs and in the prices of the feedstocks.

THE SERIOUS thought that the new minister for Petroleum, Chemicals and Fertilizers, Mr H.N. Bahuguna, is reported to be bestowing personally on the pricing pattern of the fertilizer industry, even though this issue is being looked into also by the Marathe committee, is not unwarranted, This is because this industry is facing the dilemma of keeping itself in a healthy state. While there is a persistent demand from the agricultural community for bringing down the prices of farm inputs, including fertilizers, in the interest of containing its production costs, the new units coming up in this field of manufacture threaten to become sick even before they take off, owing to the escalation that has taken place during the past three years not only in their capital costs but also in the prices of feedstocks.

cost escalation

This is the dominant impression I gathered from a visit a few days ago to the recently set-up Barauni fertizers plant and the currently-under-implementation rationalisation and modernisation schemes of the Sindri factory. As against the estimate of just Rs 35.14 crores in the feasibility report drawn up in 1966 on the basis of low sulphur heavy stock as the raw material, the now naphtha-based Barauni plant, which will be producing 330,000 tonnes of urea per annum when in full production about two years hence, has cost Rs 92.32 crores. Even if allowance is made for the fact that the detailed project report of this unit was drawn up much later, ultimate cost of setting up this unit has exceeded the February, 1973, estimate of Rs 54.44 crores by Rs 37.88 crores. As a result, this project is now expected to break even only around 100 per cent utilisation of the installed capacity.

Sindri modernisation

The Sindri rationalisation scheme, which was designed to maufacture tripple super-phosphate to the extent of 326,000 tonnes and high quality gypsum to the order of 500,000 tonnes, similarly, is now expected to cost Rs 45.03 crores, as against Rs 22.98 crores when it was originally mooted in the later half of the 1960s. The result of escalation in the capital cost of this project has been that as against the original expectation of it yielding a return of 35.08 per cent, it now will be a losing proposition. With the modernisation project, which envisages production of 900 tonnes of ammonia per day by using low sulphur heavy stock from Barauni as the feedstock, yielding 330,000 tonnes of urea per annum through the use of 600 tonnes of ammonia per day for this purpose and 320,000 tonnes of ammonium sulphate per annum by utilising the remaining 300 tonnes of ammonia per day, the whole revised Sindri project, however, may throw up a modest surplus annnally. The modernisation project is expected to cost Rs 152.043 crores in accordance with the original estimate drawn up in 1974.

The sharp escalation in the capital costs of the Barauni project and the Sindri rationalisation scheme has been caused by various factors which include rise in the prices of materials, delays in execution, some modifications in the original proposals, etc. An idea of this can be had from a break-up of the increased cost of the Barauni plant. This break-up shows that while compared to the feasibility report estimate, the cost went up by about Rs 3.64 crores because of inadequate or lack of provision in the report for some equipments, including effluent treatment, and by Rs 8.75 crores due to changes and modifications in the process, the delay in the implementation of the scheme alone cost as much as Rs 10.78 crores. Besides, the increases in the costs of construction materials and equipment due to inflationery tendencies both at home and abroad, variations in excise and custom duties, insurance charges etc, entailed an additional expenditure of nearly Rs 20 crores.

implementation delays

The implementation delays caused another nearly Rs 6.7 crores expenditure on account of variations in the design and engineering charges. The undertaking of design and engineering work departmentally cost another Rs 1.47 crores. Quite a significant extra expenditure had to be incurred on interest charges also. In the caseof the Sindri rationalisation scheme, there was a major change in the process adopted on detailed engineering. It must, however, been stressed here that not all the implementation delays can be attributed to the implementation authorities. They were partly caused by changes in governmental

decisions and partly also due to scarcity of construction materials.

Whereas the above escalations in the capital costs of the Barauni and Sindri rationalisation schemes have impaired their financial viability, the increases in the prices of feedstocks since the start of the implementation of the projects, particularly 1974, have very materially vitiated their operational costs. Against this, the prices of fertilizers have been reduced drastically affecting sale realisations.

reducing costs

The plant authorities are stated to be bestowing serious thought on effecting economies in their costs of production to the extent possible by devising ways and means of containing the consumption of inputs and also checking labour costs through increases in productivity and ensuring of minimum over-time. But these efforts obviously can help bring about only a marginal improvement in the financial viability of the two projects. In the case of Barauni, which project has gone into production already, nearly 90 per cent of the essential cost, including the cost of labour and other inputs and fixed costs, is beyond the control of the management.

In the circumstances, it passes comprehension that while, on the one hand, the government is prepared to subsidise the use of fertilizers by the farming community, whether directly or indirectly in the form of using public funds with indadequate or no return, it imposes excise duty on the production of fertilizers. A plea is understood to have been made for the abolition of excise duty on fertilizers in interest of improving the financial viability of the projects in this line of manufacture. It can only be hoped that this anomaly will be rectified soon, for it does not make sense that the government should rob Peter for the benefit of Paul and in the process entail unnecessary expenditure and effort on the part of the administration. In case such a proposal is not acceptable in its entirety, the fiertilizer industry, surely, can be treated for pricing purposes on a similar pattern as that evolved recently for the new units coming up in the cement industry.

The project work of the Sindri rationalisation scheme, which was conceived in 1967 following the deterioration in the quality of Rajasthan gypsum that had to be used in place of Pakistan gypsum on which the scheme was originally based, and also of coal, was completed early last year. It envisages replacement of natural gypsum in the manufacture of phosphatic fertilizers by synthetic gypsum through reacting sulphuric acid with finely ground rock-phosphate. Sulphuric acid is being produced from Amjhore pyrites which have 33 per cent sulphur content, after enriching them with elemental sulphur to 40-42 per cent content, in two streams. One stream has already been commissioned. The second stream is under commissioning at present. The phosphoric acid plant where reaction of sulphuric acid will take place with rock-phosphate is under commissioning trials.

The technical know-how as well as a part of the equipment for the sulphuric acid plant have been secured by the prime contractor of the project, the planning and development division of the Fertilizer Corporation of India (FCI), from Technoexport, Bulgaria. The phosphoric acid plant has been designed by FEDO in collaboration with Prayon of Belgium. The triple super-phosphate plant has been designed by FCI's P and D division itself. Most of the equipment for all the plants has been secured from indigenous sources. The phospheric acid produced in the phosphoric acid plant will be further reacted with rock phosphate to produce triple super-phosphate with 46 per cent P_2O_5 content.

losing proposition

Though the Sindri rationalisation scheme on its own will be a losing proposition not only due to its much increased capital cost but also owing to the high cost of pyrites, it has its importance from the technological point of view. The production of sulphuric acid from indigenous pyrites is a new development. The production of synthetic gypsum is also being tried out for the first time in the country. The size of the triple superphosphate plant (326,000 tonnes capacity) is another special feature of the scheme.

The Sindri modernisation plant is envisaged to be mechanically completed is November this year, according to schedule. Commercial production is expected to start three month's later. The foreign exchange component of this plant's total cost of Rs 152.043 crores has been financed through an IDA credit of $91 million for the purchase of equipment and engineering by international competitive bidding. An interesting feature of this bidding has been that some of our own equipment manufacturers—Bharat Heavy Electricals, Larsen and Toubro and some cable manufacturers—participated in this bidding successfully and, thus, earned foreign exchange to the extent of Rs 23.24 crores.

indigenous equipment

As in the case of the Sindri rationalisation scheme, the detailed engineering and equipment procurement work of this project has been done by the P and D division of FCI. The basic engineering package for the ammonia plant has been secured from a consortium of Udhe/Lurgi/Topsoe headed by Udhe which is also assisting in the erection supervision of this unit. Similar services have been secured for the urea plant from Technimont, Italy. Shell's non-catalytic partial oxidisation process with total recycle of carbon is being used for the gasification of fuel oil. Urea production will be based on the total recycle urea process of Technimont.

With the completion of the rationalisation and the modernisation schemes, Sindri will be producing ultimately 320,000 tonnes of ammonium sulphate, 330,000 tonnes of urea and 236,000 tonnes of triple super-phosphate per annum. With the commissioning of the two schemes several units of the old factory set up in 1951, viz., the coke-oven unit, the gas reforming unit, S. W. G., ammonia unit, the small urea plant and the double salt unit, will be closed down. A couple of these units have already been shut down. Sindri project, then, will be a complete new modern plant serving the nation.

The accumulated losses of the old Sindri factory—approximately Rs 50 crores—resulting from the deterioration in the working of this factory owing to the forced use of low quality gypsum and coal and the old age of the original plant pushing up the maintenance costs to nearly four times the original level of about Rs. 1.25 crores, however, will act as a drag on the pro-

blity of the new complex for quite some-ime. It, of course, goes to the credit of he management that it has been able to un the old factory at great hazards in the nterest of keeping up the domestic pro-luction of fertilizers to the extent possible.

The Barauni plant, commissioned in November last, is expected to reach pro-luction to its rated capacity in 1978-79, provided, of course, power supply to it from the Bihar state elesctricity grid is stabilised. This project is facing the power ripping problem quite often. Since the tart-up of the plant, the production loss lue to power tripping is estimated to have been of the order of nearly 10,500 tonnes of urea, valued at approximately Rs. 1.8 crores. While efforts are being made to secure stabilized power flow, a proposal has been mooted for augmenting the captive supply to 15 MW for running at least the ammonia and urea units. This scheme is estimated to cost Rs. 8 crores. If this proposal is not acceptable, the plant authorities would like to have at least 3.5/4 MW captive power generation capacity to keep the ammonia plant and the other critical equipment in running condition in the case of power failure or tripping so that damage of this section of the project can be obviated.

single-stream process

Using the single stream ammonia pro-cess by utilising naphtha from the adjacent Barauni refinery of the Indian Oil Corpor-ation, the project has been designed and engineered by the P & D division of FCI, under a process know-how agreement with Technimont.

An interesting feature of this designing and engineering work has been that our own engineers were able to effect improve-ments in the equipment using indigenous resources. The most notable example of this was the replacement even at the cons-truction stage of ball valves by globle valves taking into consideration the Indian conditions. Though the foreign exchange saving effected through this means was only about Rs. 3.5 lakhs, the replacement expedited considerably the commissioning of the project which would have been delayed for replacement of supplies from foreign sources after the failure of the ball valves fitted originally at the trial stage.

Another innovation of great significance which has been made in this project is the adoption of total energy utilisation concept in designing the factory. Through the use of high pressure steam in the process waste heat boilers for driving various prime-movers for pumps and compressors in the plant, the consumption of electricity has been reduced consider-ably. The process of indigenisation of equipment has also been pushed in this project to the maximum extent possible. Adequate precautions have been taken at both Barauni and Sindri for pollution control.

The successful commissioning of the Barauni plant and the Sindri rationalisat-ion scheme as well as the implementation of the modernisation scheme at Sindri more or less according to schedule undou-btedly has imparted great confidence to the P & D division of FCI, located at Siadri in undertaking designing and engineering of the new fertilizer projects. This division is also intimately connected with the Nangal, Namrup and Trombay expansion programmes, the Haldia and Rourkela projects and the setting up of coal-based fertilizer plants at Talcher and Ramagundam. As a sequel, it has gained competence to set up ferti-lizer projects on its own. It is also receiving inquiries for the supply of technical know-how to the developing countries; the latest such inquiry has been from Turkey. The division has com-prehensive facilities at its disposal for R & D work, including pilot plants.

The division has developed on its own the process know-how for sulphuric acid, nitric acid and phosphoric acid (dihy-drate) plants and also for the triple super-phosphate, single super-phosphate, diamm-onium phosphate, calcium ammonium nitrate, ammonium sulphate and ammo-nium nitrate plants. It as well has its own know-how for co-conversion and methana-tion sections of ammonia plant.

Know-how has also been developed by the P & D division for the manufacture of a wide range of chemicals such as ammonium bicarbonate, sodium nitrate/ nitrite, silica gel, sodium silicate, sodium sulphite, epoxyresins, sodium hexameta-phosphate, guanidine nitrate, etc.

Another very important achievement of the P & D division has been the development of know-how for fertilizer catalysts—a know-how available at present with very few companies in the world. The catalysts developed by the P & D division have found acceptance even abroad. The entire range of catalysts has been developed for a complete ferti-lizer plant with the only exception of ammonia synthesis catalyst.

Our fertilizer industry, thus, has become self-reliant which should augur well for its future growth. Equipment from indi-genous sources is said to be available to nearly 95 per cent of the requirements. The multiplication of agencies in the consultancies field, however, is posing the problem of adequacy of work for all. The P & D division at present is stated to be able to utilise its manpower resources and facilities to about 80 per cent. This percentage may go down in the near future if the pace of the growth of the industry slackens. Sale of consultancy services abroad can be helpful. But a rationalisation of work among the various organisations handling it currently is called for according to their specialisation.

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Manager

US energy policy meets its moment of truth

In an address delivered to a joint session of Congress on April 20, the US president, Mr Jimmy Carter, enunciated his administrations' policy on energy. "The heart of our energy problem" he said, "is that our demand for fuel keeps rising more quickly than our production and our primary means of solving this problem is to reduce waste and inefficiency". The president then proceeded to indicate wide-ranging proposals for conservation and development, placing the emphasis squarely on fiscal deterrents on waste of energy in transportation and fiscal incentives for consumption of energy in heating and cooling systems. This is the gist of his address.

OIL AND natural gas make up 75 per cent of consumption in the US, but they represent only about seven per cent of our reserves. The demand for oil has been rising by more than five per cent each year, but domestic oil production has been falling lately by more than six per cent. Imports of oil have risen sharply—making the US more vulnerable if supplies are interrupted—but early in the 1980s even foreign oil will become increasingly scarce. If it were possible for world demand to continue rising during the 1980s at the present rate of five per cent a year, it could use up all the proven reserves of oil in the entire world by the end of the next decade:

The US trade deficits are growing. That country imported more than 35 billion dollars worth of oil last year and it will spend much more than that this year. The time has come to draw the line. That is why the US needs a comprehensive national energy policy. The principles behind this policy and the goals for 1985 are:

To reduce the annual growth rate in our energy demand to less than two per cent;

To reduce gasoline consumption by 10 per cent;

To cut imports of foreign oil to 6 million barrels a day, less than half the level it would be if we did not conserve;

To establish a strategic petroleum reserve of one billion barrels, about a ten months' supply;

To increase our coal production by more than two-thirds, to over one billion tons a year;

To insulate 90 per cent of American homes and all new buildings; and

To use solar energy in more than two and a half million homes.

WINDOW ON THE WORLD

The first goal is conservation. The two areas where the US wastes most of its energy are transportation and its heating and cooling systems.

Transportation consumes 26 per cent of energy supplies—and as much as half of that is waste. In Europe the average automobile weighs 2,700 pounds; in the US 4,100 pounds. The Congress has already adopted fuel efficiency standards which will require new cars to average 27.5 miles per gallon by 1985 instead of the 18 they average today. To insure that this existing Congressional mandate is met, a graduated excise tax is proposed for new gas guzzlers that do not meet federal average mileage standards. The tax will start low and then rise each year until 1985. In 1978, a tax of 130 dollars will be levied on a car getting 15 miles per gallion, and for an 11 mile-per-gallon car the tax will be 450 dollars. By 1985, on wasteful new cars with the same low mileage, the taxes will have risen to 1600 dollars and 2500 dollars.

subsidising consumers

All of the money collected by this tax on wasteful automobiles will be returned to consumers, through rebates on cars that are more efficient than the mileage standard. It is expected that both efficiency and total automobile production and sales will increase under this proposal. It will insure that American automobile workers and their families do not bear an unfair share of the burden. The US will also work with its trading partners to see that they are treated fairly.

One of the most controversial and misunderstood parts of the energy proposal is a standby tax on gasoline. Gasoline consumption represents half of the total US oil usage. Between now and 1980, gasoline consumption is expected to rise slightly above the present level. For the following five years, when there will be more efficient automobiles, there would still be the need to reduce consumption each year to reach the targets for 1985. For this purpose, it is neeessary to write into law a gasoline tax of an additional five cents per gallon that will automatically take effect every year that the country fail to meet the annual targets. As an added incentive, if it misses one year, but is back on track the next, the additional tax would come off. Any proceeds from the tax—if it is triggered—will be returned

to the general public in an equitable manner.

One of the side effects of conserving gasoline is that state governments collect less money through gasoline taxes. To reduce their hardships and to insure adequate highway maintenance, states will be compensated for this loss through the highway trust fund.

The second major area where waste can and should be reduced is in homes and buildidgs. Some buildings waste half the energy used for heating and cooling. From now on, it must be ensured that new buildings are as efficient as possible, and that old buildings are equipped—or "retrofitted"—with insulation and heating systems that dramatically reduce the use of fuel.

The federal government will set an example by establishing strict conservation goals for both new and old federal buildings—a 45 per cent increase in energy efficiency for new buildings, and a 20 per-cent increase for existing buildings by 1985.

Incentives are needed to help those who own homes and businesses to conserve. Those who weatherise buildings would be eligible for a tax credit of 25 per cent of the first 800 dollars invested in conservation, and 15 per cent of the next 1,400 dollars. If homeowners prefer, they may take advantage of a weatherisation service which all regulated utility companies will be required to offer. The utilities would arrange for all contractors and provide reasonable financing.

federal aid

Other proposals for conservation in homes and buildings include: Direct federal help for low-income residents; An additional 10 per cent tax credit for business investments; Federal matching grants to non-profit schools and hospitals; and public works money for weatherizing state and local government buildings.

There will be proposals for legislation that would, for the first time, impose stringent efficiency standards for household appliances by 1980. The utility rate structure is to be reformed to eliminate rewarding waste by offering the cheapest rates to the largest users. Projected legislation would require the following steps over the next two years,

Phasing out promotional rates and other pricing systems that make natural gas and electricity artificially cheap for high-volume users and which do not accurately reflect costs;

Offering users peak-load pricing techniques which set higher charges during the day when demand is great and lower charges when demand is small; and

Individual meters for each apartment in new buildings instead of one master meter.

Plans are already being discussed for the TVA system to act as a model for implementing such new programes to conserve energy.

One final step toward conservation is to encourage industries and utilities to expand "cogeneration" projects, which capture much of the steam that is now wasted in generating electricity. In Germany, 29 per cent of total energy comes from cogeneration, but only four per cent in the United States. A special 10 per cent tax credit will be available for investments in cogeneration.

realistic pricing

Along with conservation, the second major strategy is production and rational pricing. The price of energy should reflect its true replacement cost, as a means of bringing supply and demand into balance over the long-run. Realistic pricing is especially important for the scarcest fuels, oil and natural gas. The price of newly discovered oil will be allowed to rise over a three-year period, to the 1977 world market price, with allowances for inflation. The current return to producers for previously discovered oil would remain the same, except for adjustments because of inflation, so that producers do not reap windfall profits, beyond the incentives they need for exploration and production. It is proposed to phase in a well-head tax on existing supplies of domestic oil, equal to the difference between the present controlled price of oil and the world price and return the money collected by this tax to the consumers and workers of America.

Steps will be taken to end the artificial distortions in natural gas prices in different parts of the country which have caused people in the producing states to pay exorbitant prices, while creating shortages, unemployment and economic stagnation, particularly in the north-east. The plan is for administration to work with the Congress to give gas producers an adequate incentive for exploration, working carefully toward deregulation of newly discovered natural gas as market conditions permit. The price limit for all new gas sold anywhere in the country is to be set at the price of the equivalent energy value of domestic crude oil, beginning in 1978. This proposal will apply both to new gas and to expiring intra-state contracts. It would not affect existing contracts.

coal to the fore

Oil and natural gas should not be wasted by industries and utilities that could use coal instead. Hence the third strategy will be conversion from scarce fuels to coal wherever possible. Although coal now provides only 18 per cent of our energy needs, it makes up 90 per cent of US energy reserves. Its production and use create environmental diffiulties, but the country can cope with them through strict strip-mining and clean air standards.

To increase the use of coal by 400 million tons, or 65 per cent, in industry and utilities by 1985, there will be a sliding scale tax, starting in 1979, on large industrial users of oil and natural gas. Fertilizer manufacturers and crop dryers which must use gas would be exempt from the tax. Utilities would not be subject to these taxes until 1983, because it will take them longer to covert to coal.

Even with this coversion effort, the country will still face a gap—between the energy it needs and the energy it can produce or import. Therefore, as a last resort, it must continue to use increasing amounts of nuclear energy. The US now has 63 nuclear power plants, producing about three per cent of its total energy and about 70 more are licensed for construction. Domestic uranium supplies can support this number of plants for another 75 years. Effective conservation efforts can minimise the shift toward nuclear power. There is no need to enter the plutonium age by licensing or building a fast breeder

reactor such as the proposed demonstration plant at Clinch river. The US must, however, increase our capacity to produce enriched uranium for light water nuclear power plants, using the new centrifuge technology, which consumes only about 1/10th the energy of existing gaseous diffusion plants. Meanwhile, nuclear licensing procedures are to be referred. Even with the most thorough safeguards, it should not take ten years to license a plant. It is proposed to establish reasonable, objective criteria for licensing so that plants which are based on a standard design are not required to submit themselves for extensive individual design studies for licensing.

The fourth strategy is to develop permanent and reliable new energy sources. The most promising is solar energy, for which much of the technology is already available. Solar water heaters and space heaters are ready for commercialisation. All they need is some incentive to initiate the growth of a large market. This is to be provided through a gradually decreasing tax credit, to run from now through 1984, for those who purchase approved solar heating equipment. Initially, it would be 40 per cent of the first 1,000 dollars and 25 per eent of the next 6,400 dollars invested.

Increased production of geothermal energy can be insured by providing the same tax incentives as for gas and oil drilling operations.

During this time of increasing scarcity, competition among energy producers and distributors must be guaranteed. Individual accounting will be required from energy companies for production, refining, distribution and marketing—separately for domestic and foreign operations. Strict enforcement of the anti-trust laws can be based on this data, and may prevent the need for divestiture.

Profiteering through tax shelters should be prevented, and independent drillers should have the same intangible tax credits as the major corporations. The energy industry should not reap large unearned profits. Increasing prices on existing inventories of oil should not result in windfall gains but should be captured for the people of our country. The new Department of Energy should be established without delay. Continued fragmentation of government authority and responsibility for the nation's energy programme is dangerous and unnecessary.

ILO drafts guidelines on multinationals

An International Labour Organisation group, meeting in Geneva, has put together a framework for labour policy which multinational enterprises may consider for voluntary adoption. The 24 participants came from Barbados, Chile, France, Federal Republic of Germany, Japan, Malaysia, Mexico, Netherlands, Nigeria, Philippines, Sudan, USSR, UK, USA and Venezuela.

THE ILO tripartite advisory meeting on the relationship of multinational enterprises and social policy completed work on a draft declaration of principles dealing with all the social aspects of multinational operations, including the creation of jobs in developing countries.

The draft declaration still has to be approved by the governing body of the International Labour Office. It will then be ready for possible inclusion in the code of conduct to be completed by the United Nations Commission on Transnational Corporations in about a year's time.

The draft says multinational enterprises play an important part in the economy and can bring substantial benefits to home and host countries. It also says that operations of the multinationals may lead to conflicts with national policy objectives and with the interests of the workers. The aim of the draft declaration is to encourage the positive contribution of multinational enterprises and to minimise and resolve the difficulties.

In a section on collective bargaining, the draft says multinational enterprises:

—should enable duly authorised representatives of the workers in each of the countries in which they operate to conduct negotiations with representatives of management who are authorised to take decisions on matters under negotiation;

—should not threaten to transfer all or part of an operating unit from a country where workers are exercising their right to organise;

—should provide workers' representatives with information required for meaningful negotiations with the entity involved.

The draft declaration says all parties should respect the sovereign rights of states, obey national laws, give due consideration to local practices, and respect relevant international standards.

"The principles laid down in this declaration do not aim at introducing or maintaining inequalities of treatment between multinational and national enterprises. They reflect good practice for all".

The draft declaration calls on governments to make full, productive and freely chosen employment a major policy goal, particularly those in developing areas where unemployment and under-employment are at their most serious.

Multinational enterprises, particularly in developing countries, should endeavour to increase employment opportunities, taking government policies into account as well as security of employment and the long-term development of the enterprises.

They should try to use local suppliers nd raw materials where possible.

Governments should pursue polices lesigned to promote equality of opportuity and treatment in employment, and nultinational enterprises should be guidd by this general principle.

In considering changes in operations which would have major employment effects, multinational enterprises should provide reasonable notice to the appropriate government authorities and representatives of the workers, particularly when lay-offs or dismissals are envisaged.

Governments, in cooperation with all the parties concerned, should develop national policies for vocational training and guidance, and multinational enterprises should ensure that relevant training is provided for all levels of their employees in the host country.

Wages, benefits and conditions of work offered by multinational enterprises should be not less favourable to the workers than those offered by comparable employers in the country concerned.

In developing countries where comparable employers may not exist, they should provide the best possible wages and other conditions within the framework of government policies.

Governments should ensure that both multinational and national enterprises provide adequate safety and health standards for their employees. Multinational enterprises should maintain the highest standards of safety and health, in conformity with national requirements, and should cooperate in the work of international organisations concerned with safety and health standards.

Workers employed by multinational enterprises as well as those employed by national enterprises should have the right to establish and join organisations of their own choosing without previous authorisation.

They should enjoy adequate protcetion against acts of anti-union discrimination.

Where appropriate in the local circumstances, multinational enterprises should support representative employer's organisations.

Where governments of host countries offer special incentives to attract foreign investment, these should not include any limitation of the worker's freedom of association or the right to organise and bargain collectively.

Systems reached by mutual agreement should provide for regular consultation on matters of mutual concern, in multinational as well as in national enterprises.

Any worker in a multinational or national enterprise who considers that he has grounds for a grievance should have the right to have it examined without suffering any prejudice as a result.

Multinational and national enterprises should seek to establish voluntary conciliation machinery, together with workers' representatives and organisations, to assist in the prevention and settlement of industrial disputes between employers and workers.

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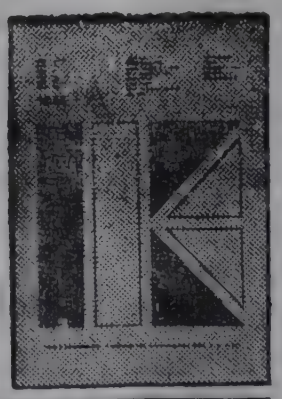

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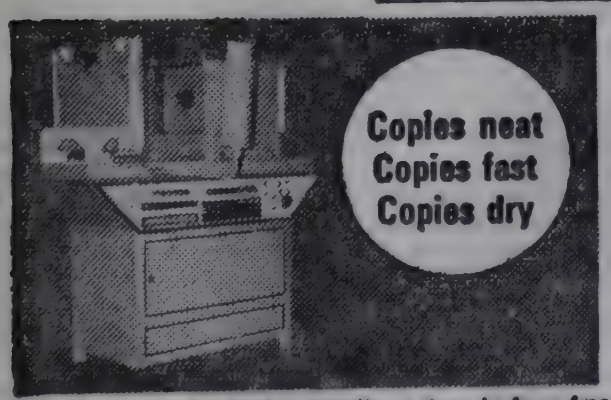

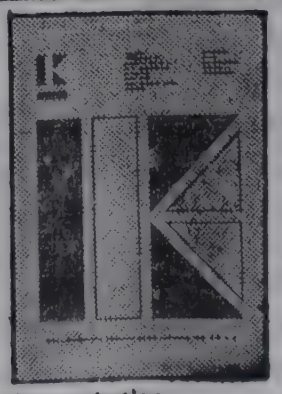

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TRADE WINDS

H. M. Patel for World Bank Meet

Mr H. M. Patel, Finance minister attended G-24 Ministers' meeting, Development Committee meeting and meeting of the Interim Committee in Washington from April 25 to 29, 1977. Mr Patel left New Delhi on April 23 and proposed to return on May 2. He was accompanied by Dr Manmohan Singh, Secretary, Economic Affairs, Mr R. M. Honavar, Chief Economic Adviser, Mr S. N. Saigal, Joint Secretary and Mr J. Shivakumar, Private Secretary to the Finance minister.

In the development committee meeting the president of the World Bank and the managing director of the International Montary Fund presented their reports on important issues facing these institutions. Another importantt issue discussed in this Commitee was the report of the Working Group on access of developing countries to capital markets.

Important Issues

In the Interim Committee, important issues such as international liquidity and the need to increase the resources of the IMF, policy and procedures regarding surveillance by the IMF on members' exchange rate policy figured. The Interim and the Development Committees have met seven times so far. Mr Patel proposed to meet the World Bank President, Mr. Robert McNamara and the Managing Director, International Monetary Fund, Dr J. H. Witteveen. He also proposed to call on US Secretary of States and the US Treasury Secretary.

AIEI Meet

Prime minister, Mr Morarji Desai, recently called upon the industry to cooperate with the government in curbing inflation. He warned that it would not be possible to create better conditions of life for people and to promote their happiness until prices were brought down. He, therefore, asked representatives of industry to discuss with him the steps that should be taken to curb inflation.

Inflationary Trends

In his address to the third annual session of the Association of Indian Engineering Industry (AIEI) recently, the main stress of Mr Desai was on inflation and deficit financing. He explained that deficit financing, even if meant for good plans, would result in pushing up prices as had happened in the last few years. Last year increase in money supply was more than 17 per cent and that was why prices had shot up.

Conceding that government expenditure would have to be cut wherever possible, Mr Deasi pointed out that there were areas in industry where economies could be introduced and the present high cost economy could be avoided by eliminating entravagance. The prime minister also called upon the engineering industry to synchronise its concept of small industries with Gandhian ideals and use its skill in findidg ways and means so that living conditions of the perople could be improved. "We have got to take up cottage industries to the rural areas to remove unemployment in this country and unless umemployment is removed, it is not possible for us to raise the living standards of the poorest people. This employment should be generated only in villages".

Earlier, the AIEI president, Mr F. A. A. Jasdanwalla, suggested that the policy objective of the govrnment should be aimed at limiting inflation to a reasonable level. Inflation could not be avoided to a certain extent in a developing economy—it was a price to be paid for growth. The highest priorty, Mr Jasdanwalla emphasised, needed to be given to fresh investments which showed an increase in 1976 compared with the previous year but not in real terms. "Investment must show a marked rise to bring about higher levels of employment and industrial revival," he added,

Exports during 1976-77

Judged by the export performance in the first 11 months of 1976-77, the target of Rs 4500 crores for the year likely to be exceeded by ov Rs 300 crores. In April 197 February 1977, exports we worth Rs 4399.6 crores compa red to Rs 3450.59 crores i April 1975-February 1976, 28.7 per cent increase, accor ing to provisional figur released by the Commerc ministry. Exports in Februar this year totalled Rs 460.6 crores and assuming a figu of Rs 400 crores for March total exprots in the last finan cial year will be for Rs 480 crores. Exports in the first 1 months of 1976-77 declined b 5.6 per cent compared to th corresponding period of 1975 76, from Rs 4789.09 crores t Rs 4520.58 crores. The trad deficit came down sharpl from Rs 1338.5 crores t Rs 80.62 crores in this period Exports increased by 18.4 pe cent in 1975-76 over the previ ous years.

Study on Money Supply

The second working group o money supply, constituted b the Reserve Bank, has evolve four new money stock measure on the criterion of varying deg rees of their liquidity, suggeste an improved data base for th monetary sector, mainly i terms of coverage, and stream lined the methodology of com pilation. The four mone stock measures and their cons

Alloy Steel Imports

At a recent press conference in the capital, Dr. B. C. Jain, managing director of Bihar Alloy Steel Ltd., pleaded for a total ban on imports of alloy steel either direct or through replenishment licences. He was of the view that the country's alloy steel capacity at about 500,000 tonnes was more than enough to meet domestic requirements. Continued imports will hurt the indigenous manufacturers and, therefore. he wanted the government to ban all imports of alloy steels. If that was not possible for whatever reasons, he suggested that the goverement should impose deterrent import duty. He further said that imports of alloy steel valued at Rs 93.15 crores in 1975-76 and at Rs 21.26 crores in the four months ending in July 1976 had already harmed the indigenous units which could not utilise their full capacity. What was more, during the last five years there had not been much generation of additional demand for alloy steels in this country due to the absence of growth in industries which use alloy steels.

uents are: M1 comprising rrency notes and coins with e public excluding cash on nd with banks, demand posits (excluding inter-bank posits) of all commercial and operative banks and "other posits held with the Reserve ank, M2 comprising M1 d savings deposits with post ffice saving banks, M3 comising M1 and time deposits all commercial and cooperave banks, and M4 comprising 13 and total deposits with ost office savings organisation ut excluding national savings rtificates).

While M1 and M3 broadly rrespond to the present series f 'money supply with the ublic' and 'aggregate monetary esources', respectively, the ain difference is that the new eries have a wider coverage of ata relating to the cooperave sector. The other two easures viz, M2 and M4 ave been evolved to bring eposits with the postal savings rganisation within the fold of oney stock measures. One of he substantive changes effected y the group with regard to ompilation of monetary data is he extension of coverage to the perations of central cooperative banks and urban cooperative banks. So far only the data in respect of state cooperative banks have been included n the compilation of money upply.

Ceiling on Bill Discounts

The Indian Banks Association as set a ceiling of 13.5 per cent on the rediscounting rate for rade bills. This has been done with a view to realigning the discount rate structure for nter-bank and bank-institutional monetary transactions with interest rates ruling in the nter-bank money market. Such a step is a natural corollary to the earlier IBA decision to place a ceiling of 12.5 per cent for overnight and other funds lent or borrowed in the inter-bank call money market. Banks have been paying anywhere between 14 and 16 per cent to the General Insurance Corporation and other institutions which have floating funds awaiting investment. In the case of GIC, investment by discounting bills is the only avenue of deploying remuneratively its short-term funds since it has not been allowed to participate in the call money market.

India-Malaysia Double Taxation Agreement

The agreement for the avoidance of double taxation and prevention of fiscal evasion with respect to taxes on income between India and Malaysia has become law. Diplomatic notes certifying that all formalities necessary to give the agreement the force of law in the two countries were exchanged at Kuala Lampur and notification under section 90 of the Income-Tax Act, 1961 were issued. The agreement was signed between the two countries at New Delhi on October 25 last year.

The agreement is of a comprehensive nature covering all types of incomes and also provides for the exchange of information. The agreement shall have effect in India for the assessment year 1973-74 and subsequent assessment years, and in Malaysia from the assessment year beginning on January 1, 1973 and subsequent years of assessment. The main purpose of negotiating such agreements is to promote the flow of trade, capital, technology and personnel from one country to the other for accelerating the economic and industrial development of the country and to remove the tax obstacles that may be inhibiting such flow.

Income-Tax Returns Simplified

Persons deriving income from business or profession will no longer have to furnish particulars of expenditure under the specified head and of assets in the form of return of income. The Central Board of Direct Taxes has waived this requirement by amending income tax

Department of Atomic Energy

On behalf of the President of India the Director, Directorate of Purchase and Stores. Department of Atomic Energy, Bombay, invites tenders as detailed below:—

1. Tender No. DPS/NFC/ENG/325 due on 23-5-77. Fabrication and supply & oilstorage tank, as per the drawing and the tender specifications—1 No.

2. DPS/BAPC/R-5/ENG/270 due on: 26-5-77. Spiral wound gaskets (Stainless Steel 316 L and asbestos as filler material) as per tender specifications.—900 Nos.

3. DPS/NFC/ENG/323 due on: 30-5-77. Fabrication and supply of columns with matching nuts for Hydraulic press, as per drawing and tender specifications.—4 Nos.

4. DPS/BAPC R-5/ENG/256 due on: 5-5-77. Stainless Steel basic coated electrodes of specification E-308 L-15 SFA 5.4 in various sizes and in large quantities. Qty: 19,760 Nos.

5. DPS/GEN/134 due on 9-5-77. (i) Cotton Rags white bleached—14,100 Kgs. (ii) Cotton Rags white unbleached—19,250 Kgs.

6. DPS/GEN/157 due on 12-5-77. (i) White Dusters 20146 Nos. (ii) Floor Dusters 12282 Nos. (iii) Stripped Dusters to IS: 839—23592 Nos.

7. DPS/BARC:ENG 9787 due on 13-5-77. Fabrication and supply of stock tank out of Aluminium Alloy as per Drawing and tender specifications.—1 no

8. DPS/GEN/172 due on 16-5-77. Cotton Mops big size—14,423 Nos.

9. DPS/GEN/183 due on 17-5-77. Vinyl film, flexible 175 microns thickness—33500 Mtrs.

10. Tender No. DPS/GEN/165 due on 18-5-77. (1) Paper Toilet—in packet 7144 pkts. (2) Toilet paper Tissue (Rolls)—45,730 Rolls.

11. DPS/GEN/191 due on 19-5-77. Polythene Bags, clear transparent—71,500 Nos.

12. DPS/BARC/R-5/PPF/163 due on 30-5-77. Supply of seamless copper tubes as per purchaser's tender specifications.

13. DPS/PPEE/PPF/due on 6-6-77. Supply of forged carbon steel and forged S.S. pipe fittings as per purchaser's tender specifications.

14. DPS/VEC/ENG/429 due on 13-5-77. Fabrication and supply of carbon steel horizontal tanks as per the drawing and tender specifications. Qty.: 2 Nos.

15. DPS:HWP:PPF:606 due on 24-5-1977. Supply of stainless steel forged flanges material comforming to ASTM A-182 F 316L as per purchasers' tender specification.

16. DPS/PPED/ENG/1193—due on 20-5-77. Fabrication and supply of leakage collection tanks, manufactured out of stainless steel as per the drawing and tender specifications.—2 Nos.

17. DPS/NGC/GEN/160 due on 23-5-77. Glass Powder—type-I 70 tons. Type-II 40 Tons.

18. DPS:AMD:CAP/246 due on 1-6-77. Pneumatic shovel loader with suitable spare for 10,000 hours of running, as per purchaser's specification—2 Nos.

19. DPS/NAPP/PPED/PPF/49 due on 7-6-77. Supply of seamless/fabricated stainless steel pipe and fittings as per purchaser's tender specification.

20. DPS/BARC/R-5/IEE/29 due on:24-5-77. 1. Stainless Steel bourdon tube/bellows differential pressure gauges with electrical contacts—475 Nos. 2. Stainless steel differential pressure gauges with a retransmitting potentiometer—165 Nos.

Tender documents priced Rs. 5/- each for items at S. No. 1, 2 & 3, Rs. 10/- each for items at S. No. 4 to 11, Rs. 15/- each for items at S. No. 12 & 13, Rs. 20/- each for items at S. No. 14 & 15, Rs. 25/- each for items at S. No, 16 to 19, Rs. 50/- for items at S. No. 20 and general conditions of contracts priced Re. 0-50 p. can be had from the Finance and Accounts Officer, Department of Atomic Energy, Directorate of Purchase and Stores, 3rd Floor, Mohatta Building, Palton Road, Bombay-400001 between 10 a.m. to 1 p.m. on all working days except on Saturdays. Tender documents & general conditions of contracts for item at S. No. 18 will be issued upto 27-5-77. Import licence will be provided only if the items are not available indigenously. Tenders will be received upto 3 p.m. on the due date shown above and will be opened at 4 p.m. on the same day. The right is reserved to accept or reject lowest or any tenders in part or full without assigning any reasons.

davp 645 (8)/77.

rules. An official release stated that persons furnishing their return of income for the assessment years 1977-78 or any earlier assessment years will, therefore, not be required to fill in parts iv and v of the form of return of income applicable in their case. It will, however, be open to the income tax officer to call for such particulars in individual cases. The board had amended the income tax rules through a gazette notification on March 5, 1977 amending the income tax rules 1962, the release stated.

Panel to Study Samachar

The government appointed a 12-member committee of eminent editors, journalists and other experts to examine the functions and future set-up of Samachar. The committee, headed by Mr Kuldip Nayar, Editor of the Express News Service, has been asked to give within three weeks recommendations concerning the future set-up for immediate implementation. Samachar was formed last year by the integration of the Press Trust of India, the United News of India, Hindustan Samachar and Samachar Bharati. The appointment of the committee was announced by the ministry of Information and Broadcasting.

Machinery for Distribution

A permanent machinery for distribution of commodities of mass comsumption is "absolutely essential" for a population of India's size, Mr Mohan Dharia, union minister of Civil Supplies and Cooperation stated recently. Mr Dharia indicated that an exercise has already started in his ministry on this issue. He recalled the constitution of a committee under his chairmanship when he was in the Planning ministry and the studies carried out by it and said though the report was presented in December 1973, the then government had no time to go into it.. It would be his endeavour to set up a permanent distribution system.

Cement Prices

Mr P.K. Mistry, president, Cement Manufacturers Association pointed out at the annual general meeting recently that the retention price payable to the cement manufacturers was fixed by the government on the basis of the pricing formula recommended the Tariff Commission in its 1974 report, and the formula itself was based on the costs of production of 23 cement units costed by the commission. The units whose actual costs of production were higher than the national cost reflected in the retention price found the retention price uneconomic. Many such units were actually incurring losses, and the return which accrued to others was too meagre to sustain them. These units could not operate at such a price indefinitely without becoming "sick" units at some stage. Further, certain units suffered from regional or locational disadvantages. For instance, the units in Saurashtra and the southern zone had to incur a substantially higher freight on coal than the average lead of 975 km adopted by the Tariff Commission.

Some units have to procure limestone from distant quarries, but only the pre-1956 units have been granted compensation for the excessive freight on limestone incurred by them. Some units have to employ a disproportionately large labour force due to their age or the nature of their limestone deposits. Over and above these factors, there was the levy of cess and cess surcharge on the royalty on limestone by certain state governments which went to inflate the cost of production of the effected units. These factors were beyond the control of the factories concerned and the association had taken up the matter with the government requesting special consideration for these and other high cost units.

GIIC

Gujarat Industrial Investment Corporation sanctioned financial assistance of Rs 572.17 lakhs and disbursed an amount of Rs 271.38 lakhs during the financial year 1976-77 for promotion, expansion, diversification and renovation of industries in Gujarat. The assistance has been largely provided for capital investment and term finance with special emphasis on creation of enterpreneurship and development of backward areas. The performance during the year was significant in view of the fact that the assistance sanctioned indicates an increase of 134.25 per cent over Rs 234.87 lakhs sanctioned during 1975-76 and an increase of 33 per cent over Rs 204.30 lakhs disbursed during 1975-76.

The phenomenal increase in the assistance can be attributed chiefly to the reduced investment margins and new concessions for backward districts. Now the enterpreneurs' investment margin on fixed assets is only 15 per cent in the districts of Surendranagar, Panchmahals and Broach and 20 per cent in Banaskantha, Sabarkantha, Kutch, Junagadh, Amreli, Bhavnagar and Mehsana, whereas in other districts the margin requirement is limited 30 per cent. The policy decision of the government to sanction 15 per cent subsidy upto Rs 15 lakhs even for projects with fixed capital investment of over Rs 1 crore is a booster for new industrial units of expansion in the three backward districts of Surendranagar, Panchamhals and Broach.

IDPL Exports

The Indian Drugs and Pharmaceuticals Limited (IDPL) is likely to make a big dent in the international market during the current year, both with regard to exports of drugs and consultancy services. Addressing a news conference recently Dr L.K. Behl. Chairman and Managing Director, IDPL stated that the company wa presently negotiating a Rs 1.4 crore contract with Afghanistan for the export of formulation during 1977-78. This i in addition to an export orde of the value of Rs 60 lakh bag ged by the company fro Afghanistan, last year, agains which some quantities of for mulations are to be supplie during 1977-78.

Dr Behl pointed out that th total exports of formulation during 1976-77 were of th order of Rs 45 lakh of whic about 80 per cent were expo ted to Asghanistan and th remaining was divided amo the other countries in the sou east Asian region. In the ca of exports of surgical instr ments, he said that the co pany's total exports were the order of Rs 15 lakhs l gely directed to the Sov Union. He added that a thr member technical team of IDPL is presently on a tour the west Asian countries exploring the possibility of s ting drugs and pharmaceuti plants for the Arab compa

for Drugs Industries and Medical Appliance (ACDIMA)—a multination company established by the Arab Council for Economic Unity. ACDIMA had earlier this year appointed IDPL as a prime consultant for providing technical assistance to it for setting up drugs and pharmaceuticals plants in 13 countries of the Arab world.

Shellac Export

The minimum export price scheme for shellac has been abolished with immediate effect. Exports of shellac will continue to be canalised through STC which, as in the last fiscal year will be responsible for seedlac buffer stock operations. The quantum of obligatory lifting by exporters from seedlac buffer stock has been raised to 70 per cent from 65 per cent, as at present. STC's selling price for seedlac against obligatory lifting will be reduced, again with immediate effect, to Rs 650 from Rs 722 per bag of 75 kg. These are the main features of the lac export policy for 1977-78 decided upon by the union Commerce ministry and made known to the export trade recently through STC.

The secretary of Shellac Export Promotion Council, Mr Sukhendu Majumdar, stated that the union government had adopted an integrated approach which would help all concerned interests in the lac industry. Meanwhile, STC has decided to build a buffer stock of 500 tonnes of seedlac out of the current Baisakhi lac crop.

Names in the News

Mr I.D. Sethi has been appointed Commercial Director of Air-India. He was Tariffs Manager in July 1965; Commercial Manager-Planning in December 1968: and Commercial Manager-Marketing & Sales in November 1972. He was appointed Dy. Commercial Director (Marketing & Sales) on July 1 1974; and Dy, Commercial Director on May 6, 1976.

Mr S. Narayan, Member, Central Board of Direct Taxes has taken over as Chairman of the Board. Mr Narayan belongs to the Indian Revenue Service. Before becoming Member of the Board in 1974, he was Secretary, Direct Taxes Inquiry Committee headed by former Chief Justice, Mr K.N. Wanchoo. Mr Narayan became Commissioner of Income-tax in 1964.

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Non-resident (other than companies)	30%	3%
	(or the higher rate applicable in his case)	
Domestic companies	22%	1%
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davp-76/814

COMPANY AFFAIRS

Coromandel Fertilisers

WHILE ADDRESSING the annual general meeting of the Coromandel Fertilisers Ltd., the chairman, Dr Bharat Ram stressed the need to increase production, stabilise prices and provide opportunities for gainful employment. As a buoyant agriculture holds the key to prosperity, the chairman hoped that the emphasis will be on the primacy of agriculture and growth of agro-based industry. Dr Bharat Ram at the same time underlined the need to end the period of sluggish investment activity and suggested to the government to formulate fiscal policies for fostering economic growth.

Uninterrupted Power

Adequate power, particularly uninterrupted power supply is of utmost importance to industry especially for a chemical process industry such as fertilizers. The company in fact has suffered substantial loss in nitrogen production due to unsatisfactory position in the supply of power. As fertilizer industry is occupying a significaut place in the economy by virtue of its importance, the chairman made a strong plea to the government to exempt the industry from power restrictions. This step he said, will go a long way in stepping up fertilizer output and thus augment food production.

The performance of the company during 1976 was indeed commendable. Production has improved due to the steps taken by the company in revamping the plant. The company could have achieved even better production but for some of the unfortunate equipment problems the plant has had to contend with. The phosphoric acid unit has not matched its expectations. The plant at present is capable of yielding 325 tonnes per stream day although the company had planned to extract 400 tonnes per stream day from it. One of the world's most experienced and renowned experts in phosphoric acid manufacture has been invited and the follow-up measures to be taken up after discussions is expected to result in a marginal improvement in production.

Despite a difficult market situation and easy availability of the product, the company's sales recorded a marked improvement during 1976. The tangible results achieved in this field during the year were mainly due to the aggressive marketing efforts made by the company.

New Projects

Referring to the new projects the chairman said that the company has received the government's permission for the manufacture of aluminium flouride to be recovered from the effluents of the phosphoric acid plant. Implementation is, however, pending due to the question of process technology to be employed. Negotiations are on with the government and it is hoped that the company will be able to move forward with the implmentation of the project soon. Moreover the company's project for recovery of argon gas and ammonia has also been approved by the government. The release of necessary foreign exchange has also been assured for the project.

Escorts

Escorts Ltd has reported all-round remarkable improvements in its working results during the year ended December 31, 1976. The directors have recommended a final equity dividend of eight per cent for 1976. With the interim dividend the total dividend for 1976 comes to 16 per cent as compared to 12 per cent paid in the previous year. The dividend will absorb Rs 90.97 lakhs. After payment of this dividend the general reserves would stand at Rs 7.95 crores as compared to Rs 6.15 crores at the end of 1975.

Sales recorded a handsome increase to Rs 88.07 crores from Rs 80.52 crores while pre-tax profit shot up by about 50 per cent from Rs 5.40 crores to Rs 8.15 crores.

Despite the general suppression of demand in the tractor market caused by the heavily tax-laden prices the company's sales of tractors improved impressively to 9881 from 9659 in 1975, sales of piston assemblies increased by 26 per cent and that of Rajdoot biwheelers from 24,476 units in 1975 to 26,002 units in 1976. There were steady increases in sales of almost all product lines handled by the company.

The company's total exports, including deliveries of tractors under the World Bank credit schemes, amounted to Rs 11.71 crores. The export product range included tractors and farm implements, piston assemblies, railway and automobile shock absorbers, besides a host of other products. Performance of both Ford and Escort tractors exported to neighbouring countries are already yielding repeat orders.

C.G.R. India Ltd, a joint venture with France, at SEEPZ, Bombay, for 100 per cent export of electro-medical equipment commenced production during the year and has already exported products worth Rs 50 lakhs.

The expansion project at Bangalore for the manufacture of one million each of pistons and piston pins is well under way. The expansion plans for Goetze piston ring project, also located at Bangalore, is progressing satisfactorily. Renovation and replacement of plants and machinery at the company's piston and piston pin plants in Bhadurgarh, Patiala, is expected to be completed shortly.

ICICI

ICICI's operations durin 1976 have shown considerabl improvement. Gross sanction in 1976 amounted to Rs 112.0 crores as against Rs 89.5 crores in 1975. Net sanctio totalled Rs 97.24 cror (including Rs 41.48 crores b way of foreign currency loan Rs 48.49 crores rupee loa and guarantees and Rs 7. crores underwriting and dire subscription) compared Rs 72.16 crores in 1975. against near stagnancy betwe 1974 and 1975, disbursemen in 1976 showed an increase 20 per cent over 1975 fr Rs 55.38 crores to Rs 66. crores.

To meet the increas demand for rupee funds, corporation floated, dur 1976, two issues of debentu —the eight and the ninth, an aggregate of Rs 3

rores. Both the issues, were ver-subscribed.

The corporation continued o receive support from foreign nancial agencies. The fifteenth nd sixteenth lines of credit ere sanctioned by the KfW uring 1976. An allocation of terling funds of £4 million as been made to ICICI by he UK government in ebruary 1977. In 1975, the Vorld Bank sanctioned to CICI the eleventh line of redit for US $100 million; CICI has used this line of redit fully by way of sanc-ions. The corporation has pproached the World Bank or further funds and negotia-ions are expected to take lace shortly.

ackward Areas

The corporation continues s efforts of promoting deve-opment in backward regions. he sanctions to projects in ackward regions during 1976 mounted to Rs 38.52 crores, ccounting for about 40 per ent of the total sanctions in hat year.

The corporation also parti-ipated in 1976, in two issions by central financial nstitutions to review indus-rialisation in the states of Orissa and Himachal Pradesh. he corporation contributed owards the initial share capital f the four new technical onsultancy organisations set p in the states of Andhra radesh, Jammu and Kashmir, Uttar Pradesh and Orissa. This rings the total number of COs supported by the cor-oration to six.

The corporation's gross ncome increased from s 23.81 crores in 1975 to s 26.84 crores in 1976. Profits efore tax amounted to s 6.20 crores compared with s 4.95 crores in 1975. The irectors have recommended a dividend of 12 per cent for the year 1976, as against 11 per cent for the earlier year.

In the twenty-two years of its operations, the corporation sanctioned a total amount of Rs 782.64 crores to 1,125 enterprises. It is significant that of these, 145 enterprises were undertaken by entrepreneurs having no previous experience of industry.

The total resources of the corporation at the end of 1976, net of repayments and cancellations, aggregated Rs 420.16 crores—Rs 147.05 crores in rupees and the equivalent of Rs 273.11 crores in foreign currencies.

The corporation has started participating with IDBI and IFCI in providing loans on soft terms for modernisation of units in sugar, cement, cotton and jute textiles and engineering industries.

Guest Keen Williams

Guest Keen Williams Ltd. has suffered a set back in its working during the 52-week period ended January 1, 1977. While sales recorded a nominal decline to Rs 79.28 crores from Rs 10.55 crores in the preceding year, pre-tax profit was significantly lower at Rs 4.63 crores as compared to Rs 6.42 crores in the earlier year. The subdued demand for most of its products affected adversely the operations of the company during 1976. There had been a faint glimpse of recovery in certain sections during the last quarter, but not strong enough to make much difference to the overall performance of the company. Persistent liquidity problems all round was another adverse factor which very seriously inhibited any market revival. In the event, there was a marginal fall in turnover during 1976. This decline was a function of both reduced volume in certain product groups and price adjustments to suit market conditions.

Power rates in the eastern region went up substantially again. The thrust of other cost escalations although on a lower scale compared to previous years still continued to erode margin. Additionally, servicing cost of borrowed funds was much higher during the period under review.

Input problems were by and large not formidable except for imported electrical grade sheet steel where irregular arrivals did affect production. Power constraint still operates, and its impact was felt more acutely in Bombay and Bangalore regions compared to Calcutta.

Export prospects during 1976 had brightened but the continuing global recession offered stiff competition. The total f.o.b. value of exports during the period under review came to Rs 269.22 lakhs as compared to Rs 210.09 lakhs for 1975. But for shipping bottlenecks, the export figure would have been higher.

The balance of profit available for disposal after certain adjustments and appropriations amounted to Rs 200.49 lakhs. The directors have recommended payment of a dividend of Rs 1.20 per share, for 1976. This will absorb Rs 116.79 lakhs leaving a balance of Rs 83.70 lakhs to be transferred to general reserve.

Gujarat Alkalies and Chemicals Ltd

To meet a part of the escalation in the cost of the caustic chlorine project of Gujarat Alkalies and Chemicals Ltd the all India financing institutions and banks have agreed to provide additional term loans of Rs 350 lakhs, leaving a balance amount of Rs 170 lakhs to be raised through additional equity issue. The proceeds of the issue would be utilised to meet the outstanding payments and for repayment of the bridging finance from banks in respect of the project cost. It is proposed to offer these shares at par as rights to existing shareholders in the ratio of two additional shares for every five existing shares. Of the rights issue, shares of Rs 68 lakhs will be offered to Gujarat Industrial Investment Corporation Ltd as rights, shares of Rs 10.25 lakhs will be offered as rights to the financing institutions

THE CALCUTTA ELECTRIC SUPPLY CORPORATION LIMITED

(Incorporated in England)

Notice

Notice is hereby given that the Board of Directors of this Company at a meeting held on 20th April, 1977, has declared payment of Final Dividend on the Company's Preference Stock for the year ended 31st March, 1977, at the rate of 3% gross. Payment will be made on 13th June, 1977, after deduction of appropriate Indian Income Tax to those Stockholders whose names are registered in the Company's Stock Register on 13th May, 1977.

Applications for transfers received in this office upto 13th May 1977, will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above Dividend. The Registration of Transfers of Preference Stock in the Calcutta Register will remain suspended and the Register of Preference Stockholders in Calcutta will remain closed during the period from 14th May to 20th May, 1977, both days inclusive.

By Order of the Board
(S.K. NIYOGI)
SECRETARY

Victoria House,
Calcutta, 20-4-77.

and the balance of Rs 91.75 lakhs will be offered to the other shareholders. On receipt of the requisite approval from the Controller of Capital Issues.

Despite the escalation in the project cost, the company expects to earn reasonable profits in view of the satisfactory selling price of caustic soda, chlorine and hydrochloric acid.

The companys caustic chlorine plant went into production on October 19, 1976. Ever since the start up, the plant has been functioning smoothly. The present daily rate of production is about 60 tonnes of caustic soda which would be stepped up to the level of 80 tonnes.

The company has secured a letter of intent for the manufacture of cyanuric chloride, a high-priced chemical required for the manufacture of reactive dyes, optical whiteners and pesticides and medicines. This is an import substitution project, and will be the first of its kind in the country to manufacture cyanuric chloride on a large scale starting from basic chemicals utilising hydrocyanic acid as a raw material. Vigorous efforts are afoot to firm up all preparations for this project.

News and Notes

The Monopolies and Restrictive Trade Practices Commission has initiated *suo moto* proceedings in respect of M/s **National Radio and Electronics Co Ltd, Bombay,** which is engaged in the marketing of electronic and electrical goods. The notice issued to the respondent alleges that the company has appointed a number of dealers on terms and conditions contained in a standard form of agreement. The said agreement is alleged to contain trade practices such as exclusive dealings, restriction on appointment of sub-dealers without permission, territorial restrictions, re-sale price maintenance, acceptance of deposits without interest, discount by reasons of dealings, etc. The said trade practices are alleged to be preventing, distorting or restricting competition in various ways.

The **Indian Plywood Manufacturing Company Limited,** a leading plywood and allied products manufacturer has successfully completed an export order to the gulf countries worth over Rs 3.5 lakhs for particle boards made from teakwood chips and bonded with phenol formaldehyde synthetic resin. This is the first time that particle board, which is a product of a nascent industry, has been exported on such a large scale. The utility of phenol-bonded teakwood particle board is being well appreciated in the Arab countries because it is resistant to termites and is extremely suitable to be used for exterior purpose. These two qualities make IPM's particle boards superior to others manufactured elsewhere in the world. The demand in the Gulf countries for phenol bonded teakwood particle board is likely to rise in view of the growing building activity in these countries.

In the financial year just ended **Bharat Electronics Ltd,** has recorded a four-fold increase over its best export performance of Rs 1.86 crores of 1973-74 by exporting electronic components and equipment worth Rs 7.36 crores. For the first time the company started exporting professional electronic equipment in a big way. The export of equipment alone was about Rs 6 crores. The export was more than ten per cent of the total sales of the company from its two units at Bangalore and Ghaziabad. The total BEL sales amounted to over Rs 68 crores which is about 25 per cent more than its previous years figure of Rs 55.67 crores.

New Issues

Andhra Pradesh Tanneries Limited is a joint sector project promoted by Andhra Pradesh Industrial Development Corporation, Hyderabad, and co-promoted by Mr T. Rajagopal Rao, himself a leather technologist with vast experience in leather industry and trade.

The company has located its project at Nellimarla, near Vizianagaram, a notified backward district in Andhra Pradesh. The project cost is Rs 153 lakhs and on completion, the factory will be equipped to process two lakh numbers of EI/wet blue chrome tanned hides into finished leather per annum. The main raw material, namely, wet blue hides, are available in plenty in Andhra Pradesh. The factory is expected to go into production by April 1977.

There is a good demand for finished leather within the country as well as abroad. The company has export obligation of 60 per cent of its annual production. In view of the growing demand for leather abroad, no difficulty in fulfilling this obligation is visualised. The directors are of the opinion that in the absence of any unforeseen circumstances, the company should be in a position to pay dividends on equity shares within a reasonable period.

The cost of the project amounting to Rs 153 lakhs is being financed by share capital amounting to Rs 60 lakhs and term loans aggregating Rs 93 lakhs. IFCI, IDBI, and ICICI have sanctioned the necessary term loans. The promoters and the co-promoter have already taken up 306,000 equity shares. The present issue for public subscription, is for the remaining 294,000 equity shares of Rs 10 each. The entire public issue is underwritten.

Dividend

(per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
New India Industries	Dec. 31, 1976	17.0	15.0
Jyoti Switchgear	Dec. 31, 1976	10.0	8.0
Same Dividend			
Beco Engineering	Dec. 31, 1976	6.0	6.0
Travancore Rayon	Dec. 31, 1976	Nil	Nil
Kesar Sugar Works	Sept. 30, 1976	Nil	Nil
Assam Brook Estates	Dec. 31, 1976	20.0	20.0
Andhra Sugars	Sept. 30, 1976	12.0	12.0
Rohit Mills	Dec. 31, 1976	12.0	12.0
Arvind Mills	Dec. 31, 1976	18.0	18.0
Reduced Dividend			
Nutan Mills	Dec. 31, 1976	8.0	18.0

RECORDS AND STATISTICS

Wholesale prices

THE OFFICIAL wholesale prices index of 'All-commodities' (base 1970-71=100) stood at 181.3 during the week ended April 2, 1977 as against 181.5 for the immediately preceding week. Compared with the previous week the index for the week under review showed a fall of 0.1 per cent. Groupwise analysis of price movement is shown below:

Primary articles

Among primary articles, the index for 'Food Articles' stood at 165.2 as against 164.8 for the previous week, showing a rise of 0.2 per cent. The increase in the index was due to higher prices of fish (+5 per cent), fruits & vegetables (+2 per cent) and rice (+1 per cent). However, prices of barley (—6 per cent), gram, arhar and eggs (—3 per cent each), wheat and mung (—2 per cent each) and ragi (—1 per cent) showed a fall.

Non-food articles

Lower prices of castor seed and raw tobacco (—8 per cent each), linseed (—7 per cent), tanning materials and lac (—6 per cent each), groundnut and rape & mustard seeds(—3 per cent each), cotton seed (—2 per cent) and copra (—1 per cent) brought down the index for "Non-food Articles" (which includes industrial raw materials) by 1.5 per cent to 180.4 as against 183.1 for the previous week. However, prices of raw hides (+3 per cent), niger seed (+2 per cent), raw jute and kardi seed (+1 per cent each) moved up during the week.

The index for 'Minerals' remained unchanged at its previous week's level of 442.2.

Fuel, power, light and lubricants

The index for 'fuel, power, light and lubricants' group stood stationary at its earlier week's level of 232.0.

Manufactured products

Among manufactured products, the index for the group 'Food Products' showed a fall of 0.5 per cent to 184.4 as com- to 185.3 for the last week due to lower prices of solvant extracted groundnut oil (—1 per cent), khadsari (—4 per cent), vanaspati (—3 per cent), coconut oil (—2 per cent), sugar and salt (—1 per cent each). However prices of gingelly oil, cotton seed oil, animal food (+3 per cent each), mustard oil and oil cakes (+1 per cent each) increased.

The index for "Beverages, Tobacco and Tobacco Products" stood stationary at its previous week's level of 166.4.

Textiles

The index for 'Textiles' advanced by 0.2 per cent to 164.9 as against 164.5 for the previous week due to an increase in the prices of handloom and powerloom, art silk and artificial yarn and silk and art silk fabrics (+1 per cent each). The prices of jute manufactures (—2 per cent), however, declined.

Paper and paper products

The index for 'Paper and Paper Products' remained unchanged at the preceding week's level of 182.2.

The index for 'Leather and Leather Products' stood stationary at its last week's level 224.2.

The index for 'Rubber and Rubber Products' stood at last week's level of 156.8.

Chemical products

The index for the 'Chemical and Chemical Products' stood at 171.4 as against 171.2 for the previous week. Prices of carban dioxide (+5 per cent) and bichromates (+2 per cent) in creased while prices of linseed oil (—2 per cent) showed a fall.

Mineral products

The index for 'Non-metallic Mineral Products' stood at 190.0 as against 189.7 for the last week.

Basic metals

The index for 'Basic Metals, Alloys and Metal Products' group advanced by 0.4 per cent to 191.4 as against 190.7 for the previous week due to a rise in prices of tin (+23 per cent) and lead (+13 per cent). However the prices of zinc (—4 per cent) and nickel (—2 per cent) registered a fall.

The index for 'Machinery and Transport Equipment' group maintained its previous week's level of 169.2.

Miscellaneous products

The index for the 'Miscellaneous Products' rose by 0.4 per cent to 168.9 as against last week's level of 168.3.

BENGAL INGOT COMPANY LIMITED

5 Hide Road,
Post Box No. 17 205
Calcutta 700 045

Public Notice

Notice is hereby given in accordance with the Rule 4A(1) of the Monopolies and Restrictive Trade Practices Rules, 1970 that application under Section 21 of the MRTP Act and under the Industries (Development & Regulation) Act, 1951 are proposed to be made seeking Central Government' approval to make substantial expansion by manufacturing marine propellers in copper base alloys at our existing foundry at Calcutta.

We are primarily manufacturers of non-ferrous alloy castings and ingots. Making use of the existing facilities, we propose to manufacture marine propellers and accessories to meet the increasing requirements of the ship building industry. Our proposal envisages manufacture of propellers and accessories (Capacity 90 tonnes per annum) upto piece weight of 3 tonnes each and larger sizes, should there be demand. After successfully meeting the requirements in India, we will also explore the export possibilities. Any person interested in the above matter may, if he so desires, intimate to the Central Government, in the Department of Company Affairs, within 14 days from the date of publication of this notice, his views with regard to the proposal mentioned above and the nature of his interest therein.

For **Bengal Ingot Co. Ltd.**
K. K. SHARMA
Secretary

Calcutta
April 26, 1977.

Index Numbers of Wholesale Prices by Major Groups, Groups & Sub-groups

(Base 1970-71=100)

Major group, groups & sub-group	Weights in relation to all-commodities	Week Ended				
		2.4.77	26.3.77	5.3.77	5.2.77	3.4.76
		(Provisional)			(Final)	
1	2	3	4	5	6	7
All Commodities	**(1000.00)**	**181.3**	**181.5**	**182.4**	**180.4**	**163.9**
I. Primary Articles	**416.67**	**177.3**	**177.8**	**177.9**	**174.8**	**149.3**
A. Food Articles	**297.99**	**165.2**	**164.8**	**162.8**	**158.8**	**142.2**
Foodgrains (a+b)	129.22	159.9	161.0	163.1	160.4	145.7
(a) Cereals	107.43	158.4	158.8	160.6	158.7	145.9
(b) Pulses	21.79	167.7	172.0	175.5	168.8	145.0
Fruits & vegetables	61.32	152.8	150.0	146.2	143.2	118.5
Milk & milk products	61.50	152.3	151.9	150.4	151.4	142.3
Eggs, fish & meat	18.97	177.4	175.3	178.4	187.1	164.2
Condiments & spices	10.94	174.0	174.5	170.0	152.8	164.8
Other food articles	16.04	282.9	282.1	248.3	203.6	164.8
B. Non Food Articles	**106.21**	**180.4**	**183.1**	**189.2**	**188.6**	**134.8**
Fibres	31.73	195.3	195.0	196.3	196.2	150.6
Oilseeds	42.01	171.2	175.7	189.7	186.0	104.4
Other non-food articles	32.47	177.6	181.0	181.6	184.4	158.7
C. Minerals	**12.47**	**442.2**	**442.2**	**441.3**	**442.2**	**442.9**
Metallic minerals	2.29	177.4	177.4	172.8	177.4	172.8
Other minerals	4.16	181.5	181.5	181.3	181.5	180.8
Petroleum crude and natural gas	6.02	723.6	723.6	723.6	723.6	727.4
II. Fuel, Power, Light & Lubricants	**84.59**	**232.0**	**232.0**	**232.0**	**232.1**	**229.4**
Coal mining	11.47	197.2	197.2	197.1	197.7	197.7
Mineral oils	49.12	267.6	267.6	267.6	267.6	267.2
Electricity	24.00	175.8	175.8	175.8	175.8	107.4
III. Manufactured Products	**490.74**	**176.0**	**176.0**	**177.8**	**176.4**	**165.0**
A. Food Products	**133.32**	**184.4**	**185.3**	**193.3**	**187.1**	**160.0**
Dairy products	3.00	180.9	180.9	180.9	180.9	181.4
Canned & preserved fruits & vegetables	0.39	155.5	155.5	155.5	155.5	155.5
Canned & preserved fish & sea food	0.36	205.0	229.2	205.0	229.2	191.0
Grain mill products	4.64	159.8	159.8	159.8	159.8	170.4
Bakery products	1.05	159.8	158.8	159.8	159.8	163.1
Sugar, khandsari & gur	72.41	190.2	191.7	197.7	190.4	193.4
Sugar, confectionary, cocoa & chocolate	0.53	160.2	160.2	160.2	160.2	160.3
Miscellaneous food products	49.16	179.4	180.1	192.8	186.6	109.9
Edible oils	37.16	166.7	168.4	184.1	175.8	104.7
Oilcakes	9.05	234.5	231.8	237·4	237.4	117.1
Other miscellaneous food products	2.95	170.3	167.9	164.7	167.4	153.0
B. Beverages, Tobacco & Tobacco Products	**27.08**	**166.4**	**166.4**	**166.1**	**166.4**	**170.0**
Wine industries	6.77	133.3	133.3	132.2	133.3	132.2
Soft drinks	0.82	224.9	224.9	224.9	224.9	224.9
Tobacco manufactured	19.49	175.4	175.4	175.4	175.4	180.9

—Conta

Index Numbers of Wholesale Prices by Major Groups, Groups & Subgroups—*Contd.*

1	2	3	4	5	6	7
C. Textiles	**110.26**	**164.9**	**165.4**	**162.8**	**162.4**	**145.1**
Cotton textiles	81.02	169.1	168.5	166.2	165.6	143.0
Woollen yarn & textiles	2.44	210.6	210.6	210.6	210.6	202.0
Silk, art silk & synthetic fibre textiles	12.03	158.3	157.3	155.6	154.0	156.0
Jute, hemp & mesta textiles	12.14	130.0	132.1	133.8	135.9	131.6
Textiles products n.e.s.	1.83	192.5	192.5	192.5	192.5	183.8
D. Paper & Paper Products	**0.51**	**182.2**	**182.2**	**182.2**	**182.2**	**180.4**
E. Leather & Leather Products	**3.85**	**224.2**	**224.2**	**224.2**	**228.3**	**224.2**
Tanned and cured finished leather	2.95	230.6	230.6	230.6	230.6	230.6
Footwear & other leather products	0.90	203.1	203.1	203.1	203.1	204.9
F. Rubber & Rubber Products	**12.07**	**156.8**	**156.8**	**156.9**	**159.9**	**158.7**
Tyres & tubes	9.84	154.6	154.6	154.7	154.7	157.0
Other rubber products	2.23	166.3	166.3	166.3	166.3	165.9
G. Chemicals & Chemical Products	**55.40**	**171.4**	**171.2**	**171.4**	**174.7**	**169.1**
Basic industrial chemicals	7.26	190.6	190.5	189.2	190.3	191.9
Fertilisers	12.52	178.6	178.6	178.6	185.8	189.8
Insecticides	1.16	232.7	232.7	232.7	232.7	232.0
Paints & varnishes	1.92	207.4	207.4	207.4	207.4	199.6
Drugs & medicines	9.03	135.4	135.4	134.7	135.2	128.3
Cosmetics, soaps & detergent	5.06	170.4	169.9	169.8	178.6	166.4
In-edible oils	1.54	158.7	161.4	187.2	193.6	97.7
Synthetic resins, resins & plastic materials	0.30	165.6	165.6	164.4	165.4	162.7
Dyestuffs & other chemicals n.e.s.	7.09	179.4	178.0	178.0	179.4	172.5
H. Non-metallic Mineral Products	**14.15**	**190.0**	**189.7**	**189.9**	**189.8**	**191.0**
Structural clay products	1.82	209.0	209.0	209.8	209.8	207.1
Glass & glass products	1.98	190.2	190.2	190.6	189.8	218.2
Earthernware & earthern pottery	0.96	253.3	253.3	253.3	253.3	253.3
Cement, lime & plaster	7.07	174.3	173.8	173.8	173.8	172.1
Miscellaneous non-metallic mineral products	2.32	196.3	196.3	196.3	196.3	187.1
I. Basic Metals, Alloys & Metals Products	**59.74**	**191.4**	**198.7**	**191.0**	**190.6**	**188.1**
(Basic metals & alloys)	(46.51)	193.3	192.5	192.8	192.4	190.9
Iron & steel & ferro alloys	34.73	187.0	187.0	187.0	187.0	186.7
Non-ferrous metals & their alloys	11.78	212.1	208.9	210.0	208.4	203.3
Metal products	13.23	184.5	184.5	184.5	184.2	178.2
J. Machinery & Transport Equipment	**67.18**	**169.2**	**169.2**	**169.1**	**169.1**	**170.6**
Machinery & machine tools	50.45	169.6	169.6	169.6	169.5	171.2
Non-electrical machinery	30.91	173.8	173.8	173.8	173.8	177.2
Electrical machinery	19.54	163.0	163.0	162.9	162.7	161.9
Transport equipment	16.73	167.8	167.8	167.8	167.8	168.6
Motor vehicles & parts	13.78	173.1	173.1	173.1	173.2	174.0
Motor cycles, scooters, bicycles & parts	3.00	143.2	143.2	143.2	142.9	143.7
K. Miscellaneous Products	**7.20**	**168.9**	**168.3**	**168.3**	**168.3**	**165.2**
Wood & wood products	1.74	160.9	160.8	160.8	160.8	160.8
Other manufacturing industries n.e.s.	5.46	171.6	170.7	170.7	170.7	166.7

Source : Office of the Economic Advisor, Dept. of Industrial Development.

Consumer Price Index Numbers for Industrial Workers

(Base 1960 = 100)

	1965-66	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976 July	1976 Aug.	1976 Sept.	1976 Oct.	1976 Nov.	1976 Dec.	1977 Jan.	1977 Feb
All India	—	177	186	192	207	250	317	313	297	298	302	304	306	306	307	310
Ahmedabad	130	169	176	181	198	245	305	293	276	279	283	281	280	284	286	29
Alwaye	145	197	198	202	215	267	346	358	326	318	322	322	328	330	320	31
Asansol	140	178	189	194	206	245	316	317	314	319	319	321	323	321	322	32
Bangalore	144	183	186	194	212	265	318	332	312	312	319	326	335	330	336	34
Bhavnagar	132	178	186	194	217	273	327	315	291	297	301	303	300	298	297	30
Bombay	130	175	182	190	203	233	289	300	298	294	298	297	299	300	301	30
Calcutta	131	172	182	187	197	228	288	287	296	293	298	306	303	298	297	29
Coimbatore	132	154	163	177	189	218	209	319	300	312	213	315	313	312	312	31
Delhi	136	185	199	211	222	265	337	333	328	334	335	334	331	332	336	34
Digboi	138	180	189	188	198	234	310	317	309	311	310	309	308	310	312	31
Gwalior	139	184	191	197	214	271	348	324	316	322	322	320	314	314	322	33
Howrah	137	176	186	191	206	239	298	290	291	285	290	296	300	294	293	29
Hyderabad	140	185	189	195	211	251	304	316	301	303	304	311	317	321	321	32
Jamshedpur	136	170	183	187	202	249	313	293	280	284	284	297	297	293	294	29
Madras	134	160	170	182	203	229	301	314	281	280	283	287	298	305	398	29
Madurai	128	152	183	192	206	236	334	333	291	293	295	303	316	321	315	31
Monghyr	151	188	205	204	225	292	263	325	313	317	325	330	322	323	330	33
Mundakayam	138	191	197	199	210	263	337	346	309	303	305	305	309	310	313	29
Nagpur	138	176	187	192	203	256	214	326	298	294	305	305	303	295	298	29
Saharanpur	141	181	186	198	213	253	338	313	303	297	298	298	298	307	312	31
Sholapur	128	176	185	191	216	277	325	342	291	306	310	310	320	318	314	31

Source: Labour Bureau, Government of India.

Consumer Price Index Numbers for Urban Non-manual Employees

(Base 1960 = 100)

	1965-66	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976 July	1976 Aug.	1976 Sept.	1976 Oct.	1976 Nov.	1976 Dec.	197 Ja
All India	**132**	**167**	**174**	**180**	**192**	**221**	**270**	**277**	**275**	**277**	**279**	**280**	**280**	**280**	**2**
Bombay	132	162	168	172	183	204	241	249	256	256	256	256	255	255	2
Delhi-New Delhi	131	168	174	180	190	217	262	273	273	276	277	273	273	272	2
Calcutta	126	162	170	174	180	204	238	243	249	252	250	255	254	256	2
Madras	133	161	175	188	204	231	291	306	290	291	293	296	299	302	3
Hyderabad-Secunderabad	133	167	174	180	195	223	270	283	277	278	280	283	287	289	2
Bangalore	133	164	172	180	194	228	272	284	278	280	285	288	293	293	2
Lucknow	132	171	166	174	185	215	255	270	272	272	272	274	274	274	2
Ahmedabad	131	168	171	173	188	222	271	272	262	263	266	264	262	262	2
Jaipur	133	176	183	188	205	244	308	311	310	311	314	313	316	316	3
Patna	139	180	191	190	199	229	286	284	289	278	284	288	286	286	2
Singapur	134	174	184	191	200	215	262	283	296	296	298	302	301	302	3
Trivandrum	131	172	178	184	198	231	280	297	300	299	302	304	305	308	
Cuttack-Bhubaneswar	142	169	176	184	196	221	266	270	267	271	274	278	280	279	
Bhopal	133	172	180	188	204	238	295	296	298	297	296	297	295	295	
Chandigarh	129	171	178	183	194	217	265	278	283	286	286	283	282	283	
Shillong	123	164	166	175	183	208	257	274	268	270	270	267	267	268	

Source: Central Statistical Organisati

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